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Salvador Election Won't End the War, Officials Concede

By Raymond Bonner
New York Times Service

SAN SALVADOR — U.S. officials and Salvadoran leaders are now saying that the elections next month, far from ending the political violence, are likely to be the prelude to increased fighting. The elections will not end the war, U.S. Ambassador Deane R. Hinton said recently. His observation was based on the fact that groups representing the leftist-led rebels are not participating in the elections. The rebels have vowed to continue their armed struggle for power after the voting.

But recent declarations by political and government leaders that centrist and rightist Salvadorans may use force to impose their political philosophy if they do not prevail at the polls are viewed here as even more alarming.

Leaders of the Nationalist Republican Alliance, an extreme rightist group, say that if they lose they will fight to keep the country from being governed by "Communists." They include in this category the Christian Democrats, headed by José Napoleón Duarte, president of the military-civilian junta.

And if the Nationalist Republican Party wins, "There will be a bloodbath, a real civil war," Jorge Bustamante, a political independent who is the head of the national Election Commission, said in an interview. Nationalist Republican leaders have repeatedly declared that they will use whatever military force is necessary to "pacify" the country.

On March 28, Salvadorans will elect a 60-member Constitutional Assembly that will have the power to name a president to rule the country until the delegates draft a constitution and set a date for presidential elections.

Eight political parties are registered to participate in the elections. But polls by the Election Commission and by the Christian Democrats indicate that the battle for control of the assembly — and consequently, of the government — will be between three parties: the Christian Democrats, the Nationalist Republican Party and the Nationalist Party. On the political spectrum they range from right-center — the



A Salvadoran guerrilla watching the road to San Sebastian while town was held by other rebels.

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Reagan Reassures Begin On Mideast Arms 'Edge'

By John M. Goshko
Washington Post Service

WASHINGTON — President Reagan sought to calm Israeli fears about the possibility of U.S. arms going to Jordan by writing Tuesday in Israeli Prime Minister Menachem Begin that "I am determined to see that Israel's qualitative technological edge is maintained."

Mr. Reagan said that Defense Secretary Caspar W. Weinberger, who on Saturday completed a 10-day swing through Saudi Arabia, Oman and Jordan, "brought me no new request" from Amman for U.S. arms.

"Any decision on future sales to Jordan or any other country in the region will be made in the context of my administration's firm commitment to Israel's security and the need to bring peace to the region," Mr. Reagan said in his letter released by the White House.

The president said "recent press reports have presented incorrect and exaggerated commentary regarding U.S. military assistance policies for the Middle East."

David R. Gergen, White House communications director, said Mr. Reagan was referring to press accounts that claimed the administration was redirecting its military policies from Israel to Arab countries.

Mr. Gergen said a Pentagon spokesman, Henry E. Carr Jr., had told the White House that no one aboard the Weinberger plane could recall talking about such a redirection.

A Weinberger deputy aboard the plane was explaining to reporters how recent events, such as the assassination of Sadat and the attempted coup against the Western government of Bahrain, had changed the Pentagon's attitude about what constituted the

Deng Arranges Truce In Dispute With Army

By Michael Parks
Los Angeles Times Service

PEKING — Deng Xiaoping, the vice chairman of the Communist Party, has finally won a truce in his dispute with the armed forces, according to sources.

After two years of resistance, the Chinese military has agreed to halt attacks on Mr. Deng's program of political, economic and social changes and to support most of them, but only after gaining major concessions, the sources indicate.

The agreement appears to be one of the most difficult Mr. Deng has had to make since he assumed the leadership in 1978, and Chinese observers cautioned that it might not hold.

To placate the generals, Mr. Deng reportedly had to soften criticism of Mao, harden his attitude toward political dissent and back off on some aspects of economic change.

'A Cease-Fire'

The agreement was described by a recently demobilized young officer as "more in the nature of a cease-fire than an armistice."

"The basic strains between Deng and the generals are still there," he added, "and new problems could lead to more fighting."

Still, the deal reportedly struck by Mr. Deng with the generals allowed him last summer to push through a critical assessment of Mao that apparently will be the basis for even broader policy changes this year and next.

Chinese sources say that as a result of the agreement Mr. Deng has been able to put his lieutenants into key government and party positions, including that of defense minister, a post that is expected to accelerate soon with the reorganization of the central bureaucracy.

"The military is not entirely happy about all these changes — they are very, very conservative, like generals everywhere — but they have come to understand the

Deng's Allies Press Drive For a Purge

United Press International

PEKING — The allies of Deng Xiaoping, the Chinese deputy party chairman, said this week that they intend to purge "remnants of the Gang of Four," presaging a political showdown with Mao loyalists.

"We must not overestimate their strength," said an editorial Monday in the party journal Red Flag, referring to the radical faction whose leaders were purged in 1976, but whose influence is still widespread in the Chinese bureaucracy.

"But neither should we underestimate it. We must constantly be on the alert."

"The Red Flag" editorial was backed up Tuesday by a declaration by the party chairman, Hu Yaobang, a key protégé of Mr. Deng, that the purge of the bureaucracy must be "carried out resolutely" because it is "of major importance for the well-being of our party and country."

Thus, in the two separate statements, Mr. Deng's supporters stressed that they were committed to eliminating what they term the ideologically impure. These are Maoist elements they believe are still dominating middle- and lower-level positions and thwarting the policies of Mr. Deng, who is considered China's most powerful leader.

"There are party members who have totally departed from the party's correct stand and are completely unqualified for party membership," Red Flag said. "Some of them may be called remnants of the Gang of Four or the gang's cats' paws," the journal said in another reference to Mao's widow and her radical followers who were brought to trial by Mr. Deng in 1980.

Red Flag said that the "tendency to ignore or even oppose the party's leadership as well as activities in violation of law and discipline" was a serious problem.

(Continued on Page 2, Col. 7)

Army Paper Reports 117 Arrests in Poland

The Associated Press

WARSAW — The Polish military authorities arrested 117 civilians last week and sentenced 40 persons to prison for violations of martial law regulations, the army newspaper Zolnierz Wolnosci reported Tuesday.

The harshest sentence was dictated by a military court of the Polish Navy to workers of a repair shipyard in Gdansk for "organization of a strike after introduction of martial law."

A Gdansk Solidarity leader, Wojciech Sychocki, was sentenced to seven years in prison and four others to four or five years, the paper said. All defendants were members of the local Solidarity chapter, the paper added.

Reports earlier this week said 194 people had been arrested and 162 punished by misdemeanor courts after disorders in Poznan on Saturday.

'Illegal Leaflets'

The reports Tuesday said the Warsaw district court sentenced Marian Banas of Solidarity's Malopolska regional chapter to four years in prison for "organization of an illegal meeting" and collecting papers containing "false news."

Other sentences were handed down for distribution of "illegal leaflets," an attempt to leave Poland illegally aboard a stolen boat and conducting illegal rallies.

Meanwhile, a Solidarity chaplain, Henryk Jankowski, said Tuesday that the union leader Lech Walesa believed he would be freed from detention by March 7 to attend the christening in Gdansk of his baby daughter, Maria Victoria. The police in southern Wroclaw, meanwhile, started an investigation

Soviet Union, Iran Sign Protocol For More Economic Cooperation

By Dusko Doder
Washington Post Service

MOSCOW — The Soviet Union and Iran have signed a protocol for "accelerated" economic and technical cooperation in a move that symbolized a significant improvement in their relations.

The document was signed Monday at the end of a week-long visit by Iran's energy minister, Hassan Gafurifard, who said at a news conference that his government regarded the Soviet Union as a "friendly country." He said that his visit had established a basis for "greater cooperation" between them.

The U.S.-educated minister was the first Iranian cabinet official to visit here since his predecessor came to Moscow shortly after the overthrow of the Iranian monarchy in 1979. There was an initial period of tension between the new Tehran government and the Kremlin and after the Soviet intervention in Afghanistan, relations deteriorated sharply.

The Russians appear to have sought to cultivate relations with the Tehran government by skirting political differences and focusing instead on economic ties. Largely as a result of their isolation, Iranians have increasingly turned to the Soviet Union for new technology. Trade reached \$1.2 billion last year, a record high. This was about 30 percent higher than in 1978, the last year of the Shah's regime.

According to Soviet figures, the Russians bought \$2.2 million tons of Iranian oil last year. There have been reports that Iran was having trouble in marketing its oil as prices have declined in the world market, and Tehran is believed to be hard-pressed for money to pay for its war with Iraq.

There was speculation that the Soviet Union, the world's largest petroleum producer, was purchasing Iranian crude and shipping it to Vietnam, Laos and Cambodia. Soviet oil production exceeds 12 million barrels daily, of which nine million are used for domestic consumption and the rest exported.

Mr. Gafurifard said Tuesday that the new protocol covered accelerated completion of two Soviet projects in Iran. He said that an unspecified number of Soviet experts would arrive there soon.

The projects are a 1,360-megawatt power plant at Ahwaz and an 800-megawatt power plant at Isfahan. The projects have been a part of the Shah's regime, but only one of the four stations at

Nkomo Party Offices Are Raided; Zimbabwe Coalition Seems Doomed

By Jay Ross
Washington Post Service

SALISBURY — Prime Minister Robert Mugabe's government seized companies owned by the party of Joshua Nkomo and police raided its headquarters Tuesday in moves that appeared to be leading toward the breakup of the two leaders' coalition.

Mr. Nkomo suggested that such a result was likely. In a bitter reference to Mr. Mugabe's Zimbabwe African National Union party at a press conference Tuesday evening, Mr. Nkomo said:

"This is the ZANU way of doing things. They worked with us up to a point. Now they think they can dispense with us, just like that. It would be better to shake hands and go our separate ways."

Mr. Nkomo said that Mr. Mugabe had given him a "very hard" slap in the face but that it was up to the prime minister to dismiss his party from the coalition Cabinet.

Mr. Nkomo said it clear he had no intention at this point to quit. ZANU has 57 of the 100 seats in Parliament and could rule alone.

10 Days of Threats

Tuesday's police raid and takeover of the companies involved in agriculture, investment and commerce were against Mr. Mugabe's first concrete actions against Mr. Nkomo's party, the Zimbabwe African People's Union (ZAPU), after 10 days of threats following the discovery of huge arms caches on



Joshua Nkomo

farmers owned by the junior coalition partner.

A break in the coalition formed two years ago, when guerrillas led by Mr. Mugabe and Mr. Nkomo won an end to white minority rule, could lead to sharp divisions along tribal lines. Mr. Mugabe is from the majority Shona tribe, while Mr. Nkomo is the leader of the Matabele tribe centered in the southwest and accounting for 18 percent of the population.

Arms discoveries continue to be announced almost daily. Mr. Nkomo's party has denied it knew of the caches.

Mr. Mugabe said last weekend that the caches include "mortars, bazookas, rocket launchers, submachine guns, heavy machine guns and anti-aircraft weaponry."

'A Cobra in the House'

The arms are estimated to be enough for 3,000 to 5,000 troops. In addition, military trucks, radios, jamming devices and battlefield medical supplies have been found.

Mr. Mugabe accused Mr. Nkomo of trying to overthrow the government and launched a personal attack on the veteran nationalist, saying that to have Mr. Nkomo in the government was like having "a cobra in a house."

"The only way to deal effectively with a snake is to strike and destroy its head," Mr. Mugabe said in a reference that has been interpreted to mean that getting rid of

INSIDE

Chemical Warfare

The United States charged, at the European Security Conference in Madrid, that the Soviet Union operated a score of chemical and biological weapons production facilities in contravention of international accords. Page 4.

Budget Charge

The Reagan administration is demanding "more sacrifice" from children than from any other group in American society, with its proposed cuts in welfare, education and nutrition budgets, the Children's Defense Fund asserted in Washington. Page 3.

Irish Election

An opinion poll published in Dublin gives the opposition Fianna Fail party a 5-point lead in Thursday's general election over the center-left coalition of Prime Minister Garret Fitzgerald. Page 3.

Perennial Corn

For thousands of years farmers have had to plant a new corn crop every spring. But recently an American-Argentine collaboration has bred a perennial variety by crossing corn, a mainstay of the world's food supply, with a distant wild relative. Page 4.

Khomeini Reported Ill, Succession Prepared

United Press International

LONDON — A leadership council composed of three "grand ayatollahs" on Tuesday was prepared to succeed Ayatollah Ruhollah Khomeini, Iran's revolutionary leader. There was speculation that Ayatollah Khomeini's health has deteriorated since he canceled public engagements on Saturday.

Exiled opposition sources claiming to be in contact with the 82-year-old leader's household said he was confined to bed in his residence in North Tehran.

His entire household was gathered around him, including his grandson, Hajatollah Hossein Khomeini, an opposition sympathizer, the sources said. Hajatollah Khomeini had been living until recently in isolation in the holy city of Qom, his grandfather's former headquarters 130 kilometers (80 miles) south of Tehran.

But a man in Ayatollah Khomeini's Tehran office on Tuesday denied the reports. "The condition of the Imam is very, very, very good," he said in a telephone conversation.

Condition Said to Worsen

The opposition sources said Ayatollah Khomeini's condition had worsened since the weekend. No independent confirmation was available. Tehran radio broadcasts did not mention the formation of the leadership council.

The council was set up on Sunday after a four-hour meeting in Qom between the three most prominent "grand ayatollahs" still sympathetic to the Islamic Republic and the Iranian president, Hajatollah Seyyed Ali Khamene'i. Its formation followed a Tehran radio announcement Saturday that Ayatollah Khomeini would have no public engagements until March 4.

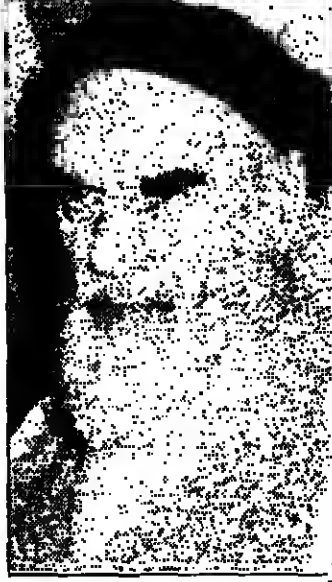
Iranian exile sources identified the three grand ayatollahs as Hossein Ali Montazeri, Maraghi Najafi and Mohammed Reza Gholi-pour. The title of grand ayatollah was used to designate the highest clerical rank in the Shiite branch of Islam.

The most prominent grand ayatollah of Qom, Kazem Shariatmadari, was excluded, apparently for his opposition to the fundamentalist line. Another grand ayatollah, Abdollah Shiri, who is influential in the northeastern Khorasan region, was dropped at the last minute, the sources said.

Same Veto Powers

The council is designed to have the same veto powers Ayatollah Khomeini has exercised. But, the sources said, the decision to have three instead of one will make the council less effective in day-to-day matters. These are in the hands of Hajatollah Khamene'i and Hashemi Rafsanjani, the speaker of the Iranian parliament.

Hajatollah Khamene'i and Hajatollah Rafsanjani could not



Ayatollah Ruhollah Khomeini

have become members themselves because the title of hajatollah is two positions down in the Shiite religious hierarchy.

An earlier plan to have Ayatollah Montazeri, who is 59, as Ayatollah Khomeini's spiritual successor was dropped because of Ayatollah Montazeri's own frail health, the sources said. They added that there was also fear of giving one man the chance to develop his own following.

Formation of the council does not mean it will take over immediately. According to the Iranian Islamic constitution, the council takes over upon the death or removal of the spiritual leader.

Mideast Policy - or Absence of One - Said to Hurt Reagan

By Leslie H. Gelb
New York Times Service

WASHINGTON — Secretary of Defense Caspar W. Weinberger spent most of last week touring the Middle East, trying to strengthen U.S. military ties with Arab nations and talking about redirecting policy away from Israel.

Other administration officials, led by Secretary of State Alexander M. Haig Jr., are insisting that there is no change in Middle East policy.

Does the administration have a policy toward the Middle East? And does it favor one side over the other?

The answer to the first question appears to be no. By all accounts, President Reagan has yet to resolve the differences between the two secretaries and formulate a policy.

Strain With Israel

The answer to the second question is not entirely clear, but a combination of factors seems to be carrying the administration toward increasingly strained relations with Israel.

One factor is the administration's desire to establish a strategic consensus in the Middle East against the Soviet Union. Most administration officials believe the Arab nations can contribute more to this endeavor than can Israel.

Second, getting the Arabs to play in the anti-Soviet game means pressuring the Israelis to make concessions with respect to the West Bank and other occupied territories.

Third, the Israelis, in taking care of their security problems as they see them, have forced the administration into a corner, or so many people in the administration contend. As U.S. officials look back on the last year, they say they had no choice but to condemn Israel for its attack against the Iraqi nuclear reactor, the bombing of Beirut and the annexation of the Golan Heights.

The administration gives every indication of wanting to balance interests between Israel and the Arab nations without hurting Israel. But the very logic of the administration's strategic thinking, the force of events and the continuing disarray within the administration seem to be carrying Washington toward more and greater confrontations with the government of Prime Minister Menachem Begin.

Last week's Weinberger mission is the most recent case in point. The whole idea of an anti-Soviet strategic consensus in the Middle East has been in the background for months, with the administration preoccupied by events elsewhere. Mr. Weinberger's task was to gain start forging the consensus.

'We Pay Cash'

He went to Saudi Arabia and renewed the U.S. request for access to installations there to help the Rapid Deployment Force. One of the main purposes of that force is to come to Saudi Arabia's defense. The Saudis again said no. They continue to be more worried about internal threats that might be aggravated by a U.S. presence than about any Soviet threat.

So Mr. Weinberger had to settle for an announcement of a joint Saudi Arabian-U.S. committee to coordinate military efforts. And he had to listen to Saudi officials publicly explaining that this did not give Washington any special rights and reiterating that they pay cash for U.S. weapons and thus can do with them as they please. "You are just arms salesmen," said a Saudi general, "and we pay cash."

Mr. Weinberger went on to Jordan, where King Hussein has been on the verge of buying weapons from the Soviet Union. To forestall this, Mr. Weinberger said he favored the sale of F-16 jets and a

mobile Hawk ground-to-air missile system to Jordan.

The protest from Israel and Washington was almost instantaneous, and Mr. Weinberger started backing down. He said no

NEWS ANALYSIS

formal offer had been made and that these sales would only be considered. But when a senior official traveling aboard the secretary's plane told reporters that the administration was seeking to "redirect" military policy away from Israel and toward the Arab nations, all of this was against the back-

drop of several weeks of State Department efforts to reassure Israel about the administration's fidelity in the face of continuing warnings by Israel that it might attack Palestinian and Syrian troops in Lebanon.

As Mr. Weinberger flew home, word came from the White House that the secretary should re-explain what he said.

So, reporters with Mr. Weinberger were told that the Reagan administration was indeed redirecting its military efforts, not away from Israel but to combat the threat of internal subversion in the area. This internal threat, the reporters were told, was more serious and more imminent than a Soviet threat.

Mr. Weinberger's emphasis was now on coping with internal upheavals or preventing assassinations of Middle East leaders. This

The report was prepared by José Antonio Pastor Ridruejo, a professor of law at the University of Madrid and a legal adviser to the Spanish Ministry of Foreign Affairs. It was composed after a four-day visit to El Salvador last September, during which Mr. Ridruejo met with Mr. Duarte and other senior government officials. He also met with diplomats, refugees and human rights groups outside the country.

Recommendations of Report
Mr. Ridruejo stated in his report that, although the government's intention to hold elections on March 28th is "perfectly legitimate," the elections should not take place in the current climate of terror and murder. This is, in essence, the argument of El Salvador's main opposition leaders, who have refused to take part in the vote.

The report recommended the lifting of emergency decrees, improvement of control over the activities of the armed forces and dismissal of any officers or men responsible for violations.

It also suggested that only through dialogue with opposition forces should elections proceed under the eye of impartial observers from bodies such as the United Nations or the Organization of American States. It said El Salvador had invited 66 governments to send observers to the balloting.

The study also reported an increase in killings, from 1,030 in 1978 to 10,714 from Jan. 1 to Sept. 25, 1979. It cited findings by Amnesty International, a London-based human rights group, and by the legal aid service of the archbishopric of San Salvador to assert a tendency toward murders of peasants and attacks on church leaders, human rights activists, teachers and journalists.

Mr. Ridruejo blamed the increases in such killings on government security forces and rightist paramilitary groups. "The special representative can affirm, after weighing the evidence, that the violations which pertain to life, liberty and security appear for the most part — but not exclusively — to be the work of state officials and violent groups of the extreme right," the report stated.

Leftists Blamed for Sabotage
But the report also said that the government had reported 870 "attacks against the economy" by guerrillas between Jan. 1 and Sept. 8, 1979. "Acts of terrorism against public and private property are to be put down for the most part to guerrilla groups," it said.

It also charged that the government's efforts at land reform have failed to alter what Mr. Ridruejo called a "flagrant contrast" between the country's rich and poor. Sixty percent of El Salvador's arable land is owned by just 1.6 percent of the population, the report stated.

Mr. Ridruejo's findings have been rejected by the Salvadoran government as "biased and unfounded." The reply was made in the UN Secretariat and was made public in Geneva.

The government denounced Mr. Ridruejo for ignoring information given to him during his visit to the country. "The government wonders whether its helpfulness has served any purpose," the statement said.

In an apparent attempt to question the credibility of Mr. Ridruejo's sources, the reply also noted that his report contained 76 quotations, of which only three came from the government and 21 from the San Salvador legal aid group.

400 Guerrillas Said to Be Slain
SAN SALVADOR (AP) — At least 400 leftist guerrillas were killed during a five-day military sweep in southeastern El Salvador without any government casualties, a military source says.

The source said Monday night that between 150 and 200 guerrillas managed to escape the army operation in southeastern Usulután province, 105 miles (170 kilometers) from San Salvador. He said seven guerrillas were killed with a large quantity of arms and medicine were located and destroyed.

2 U.S. Senators, Guerrillas Meet
MEXICO CITY (UPI) — Two U.S. senators held talks with Salvadoran guerrilla leaders here. Sen. Patrick Leahy, Democrat of Vermont, and Sen. Claiborne Pell, Democrat of Rhode Island, ranking Democrat on the Senate Foreign Relations Committee, said they met Monday with guerrilla commanders Salvador Samayoa and Ana Guadalupe Martínez.



Pope John Paul II watches proceedings in a Lagos cathedral.

Pope, in Lagos, Renews Defense of Poles' Rights

By Dennis Redmont

LAGOS — Pope John Paul II told a group of Polish compatriots Tuesday that human rights and national rights must be respected in their homeland, where martial law was imposed Dec. 13.

Standing in the garden of the Vatican Embassy in Lagos on the last full day of his Nigerian visit, the pope greeted about 200 members of Nigeria's Polish community of 2,000 in what has become a regular feature in his 10 foreign trips.

"I have lived through the particularly difficult events that have affected my country," the pontiff said in Polish. "The Poles have rights in relation to their neighbors, especially with those nations that history has linked with them," he said in an apparent reference to the Soviet Union.

"I have said this to state authorities in Poland, as well as to leaders of other countries — that the rights of nations and individuals must be respected. This is a heritage of many years. We did not learn this from the United Nations' declaration after World War II. We learned this centuries ago."

The Polish workers, who are employed in Nigeria under government contracts, were checked by metal detectors and searched before they were allowed to enter the embassy.

About a dozen wore Solidarity buttons to show support for the independent trade union suspended when martial law was declared.

Polish Ambassador Witold Jurasz attended the meeting and read a message of welcome to the pope. But Mr. Jurasz did not kneel when the pope blessed the crowd, nor did he join in singing "God Bless Poland," a 1921 hymn

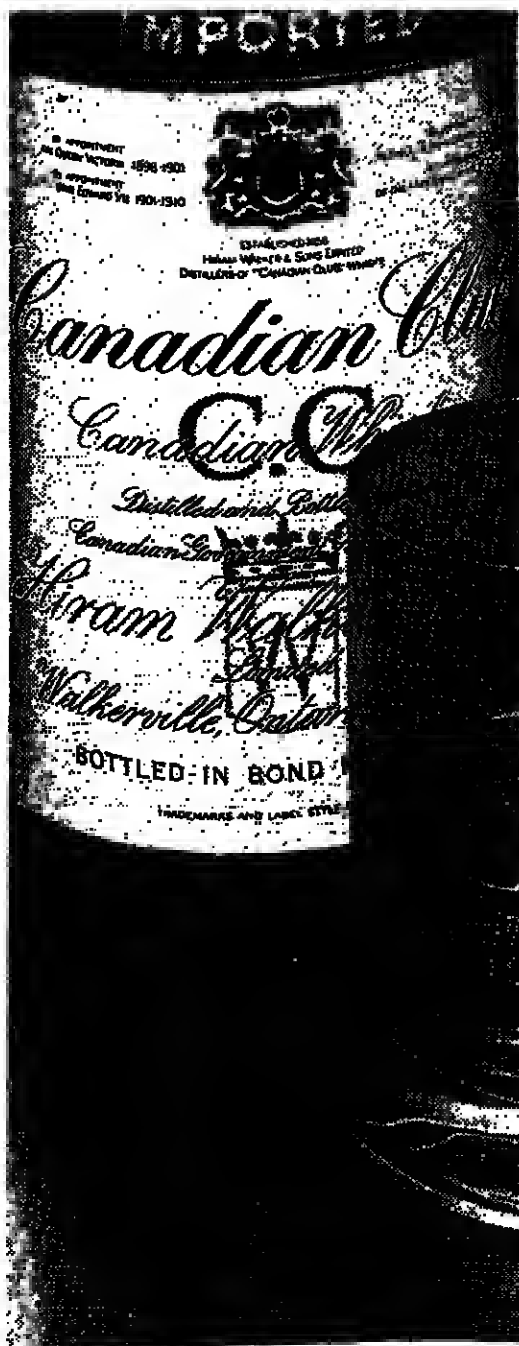
3 Climbers Die in Scotland

FORT WILLIAM, Scotland — Two men and a woman died Monday and five other climbers were injured by three avalanches on Ben Nevis, Great Britain's highest mountain.

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Ship Is Lost In Same Area As Mobil Rig

HALIFAX, Nova Scotia — A Soviet freighter sank in 50-foot waves in the North Atlantic Tuesday about 65 nautical miles (120 kilometers) east of where the world's biggest oil rig had capsized the day before.

Officials said about 15 crewmen on the Soviet freighter had drowned and that 18 were missing. Four or five people were rescued.

The freighter sank between 2 a.m. and 3 a.m. about 240 nautical miles east of Newfoundland. In the oil-rig accident a few miles away, 84 workers were missing and believed dead.

The 4,262-ton Soviet freighter, Mekhanik Tarasov, went down as two vessels tried for several hours to assist the container ship when it ran into trouble in heavy seas. Officials said about 15 bodies had been recovered.

The Mekhanik Tarasov had developed a 45-degree list overnight in 40 knot winds, heavy seas and freezing spray. A Soviet factory ship and a trawler were picking up bodies and searching for survivors.

The area is east of the drilling site in the Hibernia field where the storm's waves capsized the \$120-million oil rig Ocean Ranger Monday morning.

Mobil Oil Canada Ltd., which leased the Japanese-built rig from a Louisiana company, said the crew included 15 Americans, 52 Newfoundlanders, 16 men from other parts of Canada and one Briton. The company said the names would not be announced until the families were notified.

It was the second highest toll in the history of offshore drilling, exceeded only by the loss of 123 workers in the capsizing of the rig Alexander Kieland in the North Sea on March 27, 1980.

Only one body from the Ocean Ranger crew was recovered. Searching ships and aircraft reported sighting three of the rig's four lifeboats, with two bodies in one of them, two of the 12 life rafts, and bodies in red-and-orange survival suits and debris in the water. But the 50-foot waves prevented recovery of the other bodies, and snow and low visibility hampered the search.

In Providence, R.I., a Coast Guard commander who two years ago inspected the Ocean Ranger said another routine inspection was two months overdue.

Lt. Cmdr. Ronald Edmiston, head of the Marine Safety Office in Providence, said the Coast Guard asked his office to conduct the inspection last week but had been unable to do so until now because of a staff shortage and scheduling problems.

MUSCAT, Oman — Egyptian President Hosni Mubarak arrived in Oman Tuesday to a ceremonial welcome from Sultan Qaboos bin Said, one of three Arab leaders who refused to sever relations with Egypt over its peace treaty with Israel.

President Mubarak's two-day visit to the sultanate is his first to an Arab country since he succeeded the late President Anwar Sadat in October. Only Oman, Somalia and Sudan among Arab countries maintained relations with Cairo after the 1979 peace treaty.

Oman's official media said the visit was to strengthen bilateral relations, but talks between the two leaders are expected to center on the Middle East and security problems.

Russia, Iran Sign Accord

(Continued from Page 1)

ments economic interests of both countries.

Mr. Gafurifard, whose portfolio includes electric energy and water resources, but not oil and gas, was received by senior Soviet officials, including the first vice president, Viktor Kuznetsov.

During his news conference at the Iranian Embassy, Mr. Gafurifard expressed satisfaction with his reception. He and his 10-member delegation visited Uzbekistan and Tadzhikistan, two predominantly Moslem republics that border Iran.

Mr. Gafurifard said that the question of Afghanistan was not raised in the talks. Despite ideological differences, he said, Iran and the Soviet Union maintained a friendly relationship. "We do not interfere in their internal affairs and they do not interfere in ours," he said.

He said that the question of the Iran-Iraq war had not come up in his discussions with Soviet officials. The Russians appear to have adopted a posture of strict neutrality in the conflict despite their friendship and cooperation treaty with Iraq. One of the main reasons for improvement in relations between Moscow and Tehran has been the Kremlin's decision not to ship arms to either country.

Guard Dies in Basque Attack

SAN SEBASTIAN, Spain — Four gunmen presumed to be Basque separatist guerrillas fired on three Civil Guards here Tuesday, killing one and wounding a second, police said. The attackers escaped.

Deng's Backers Press Drive For Purge of Mao Loyalists

(Continued from Page 1)

pline are examples of problems in the party's ideology, style of work and organization.

The journal said that the "major problem confronting us is that the party's effectiveness has been weakened." It added: "This is a widespread problem, a very grave problem."

And Mr. Hu, in remarks to an American professor Monday, said: "Political, economic and administrative structure should be simplified and economic offenses punished."

"Government institutions are now overstaffed and inefficient," Mr. Hu said. "Large number of outstanding comrades" will be promoted to leading posts, he said.

Western diplomats saw a developing internal upheaval in China that could be the most significant since 1945 when Mao launched a similar drive to "correct party style."

The diplomats had assumed that Mr. Deng's purge was aimed at holdovers from the Mao era, but the leadership had insisted that it was seeking to purge only corrupt, inefficient and elderly officials.

"The next few weeks will be crucial," one diplomat said. "We'll see whether Deng's drive really takes off and cleans the ranks of the deadwood, or becomes bogged down by opposition."

Mr. Deng's purge is taking the form of arrests, dismissals from the party and retirements that appear to be sparked by high-level directives.

In the latest crackdown, three persons in the coal-producing province of Shaanxi were arrested and punished in a major special-

tion and fraud case that involved 57 people in seven different provinces, provincial reports said.

It was the most extensive single crackdown since Mr. Deng's campaign began about two weeks ago. So far, more than 70 people have been arrested and hundreds reprimanded.

The arrests, retirements and dismissals have not yet struck into the heart of the central bureaucracy, which Mr. Deng reportedly wants to trim by 200,000 people to two-thirds its current size.

The pilot underwent psychiatric tests Monday at a hospital where he and other crew members were recovering from injuries, doctors said.

Japanese Pilot Says He Fainted Just Before Crash

TOKYO — The pilot of a Japan Air Lines DC-8 that crashed into Tokyo bay last week killing 24 passengers told investigators Tuesday that he was overcome by a feeling of terror and lost consciousness moments before the accident, officials reported.

The officials, probing the cause of the crash, quoted the pilot, Capt. Seiji Katagiri, as saying: "Immediately after I switched from automatic to manual operation I felt a feeling of terror and completely lost consciousness."

Capt. Katagiri also said that he was feeling ill before he boarded the plane Feb. 9 at the western Japanese city of Fukuoka for the flight to Tokyo. He said that he was sorry for causing the disaster, the officials said.

The pilot underwent psychiatric tests Monday at a hospital where he and other crew members were recovering from injuries, doctors said.

Mubarak Begins 2-Day Visit to Oman

MUSCAT, Oman — Egyptian President Hosni Mubarak arrived in Oman Tuesday to a ceremonial welcome from Sultan Qaboos bin Said, one of three Arab leaders who refused to sever relations with Egypt over its peace treaty with Israel.

President Mubarak's two-day visit to the sultanate is his first to an Arab country since he succeeded the late President Anwar Sadat in October. Only Oman, Somalia and Sudan among Arab countries maintained relations with Cairo after the 1979 peace treaty.

Oman's official media said the visit was to strengthen bilateral relations, but talks between the two leaders are expected to center on the Middle East and security problems.

Israel Closes West Bank University

JERUSALEM — Israeli occupation authorities on the West Bank Tuesday night ordered the closing of Bir Zeit University for two months after a campus fight Monday in which a visiting Israeli education official was chased from the university by protesting students.

Israeli authorities said Zion Gabai, the official, was surrounded by Palestinian students and pelted with rocks after meeting with university administration members. His yarmulke was removed and burned before he drew a revolver and fired into the air, according to the authorities.

University sources said Mr. Gabai had refused to postpone his visit, and faculty members said his appearance was intended to spark a demonstration that would provide authorities with an excuse for closing the school.

Lisbon Socialists Criticize Cabinet

LISBON — Portugal's Socialist opposition called Tuesday for the resignation of the rightist government at the beginning of a parliamentary debate they had demanded to present a censure motion against Premier Francisco Pinto Balsemão's Cabinet.

The governing coalition, which has a comfortable majority, was expected to easily defeat the motion.

Labor unrest has continued to trouble the country after a Communist-led general strike last Friday. The government said it has discovered evidence of a plot to subvert democracy. Portuguese ports faced severe disruption because of a partial strike by harbor pilots seeking a revision of pay scales and an overtime ban by port workers involved in a dispute over pay.

Lisbon's transport workers announced one-day strikes for Wednesday and Friday after negotiations failed to settle a pay dispute.

French Workers Reject a Pay Offer

PARIS — The union representing France's four million civil servants rejected on Tuesday a 10.5-percent wage increase offered by the government as part of a package to hold down inflation.

The Socialist government proposed the new wage formula for civil servants in an attempt to eliminate salary indexing, which helped fuel last year's 14-percent inflation rate. But the unions say they are reluctant to rely on the government estimate that inflation will ease to a 10-percent annual rate by the end of 1982.

On Monday, a one-hour battle between strikers and non-strikers at a factory north of Paris resulted in the death of an Algerian immigrant worker who fell to his death while trying to flee from a group of non-strikers inside the plant.

Reagan's '83 Budget Called Unfair to Children

They Would Be Group Most Hurt by Proposed Social Cuts, Agency Says

By Herbert H. Denton
Washington Post Service

WASHINGTON — The Reagan administration is demanding "more sacrifice from children than from any other group in American society" with its proposed cuts in welfare, education, nutrition and other programs, the head of the Washington-based Children's Defense Fund charged this week.

President Marian Wright Edelman said Monday that an analysis of the administration's budget proposals indicates that more than 750,000 pregnant women would become ineligible for a federally supported prenatal nutrition program, 100,000 families would no longer get day-care services, and more than half the 5.8 million pupils in compensatory education programs would be dropped if the budget cuts are approved.

'Preys on Fears'

The Children's Defense Fund estimated that President Reagan's proposed fiscal 1983 budget would cut \$5 billion from the \$49.1 billion in federal aid for welfare, health, nutrition and education programs that benefit children. These spending reductions would be in addition to \$10 billion in fiscal 1982 cuts in these programs, the fund estimated.

Mrs. Edelman said Mr. Reagan has "preyed on the fears and resentments of those Americans who want to believe that most welfare recipients cheat — they don't — and implied that if we just end fraud and abuse in these programs, we will solve our economic problems. What he has not told the American public is that 70 percent of the welfare 'cheats' he is ridding us of are children."

The 216-page analysis of Mr. Reagan's fiscal 1983 budget that the Children's Defense Fund released Monday provides one of the first comprehensive efforts to go through its fine print and calculate the cost of the cuts to individuals.

At a time when the debate in Washington

over the new budget is largely focused on the size of the deficit, the Children's Defense Fund report highlights spending reductions that will have the effect of:

- Reducing the number of meals and snacks served in day-care centers. Before the cuts, they served three meals and two snacks daily. Now there are funds for two meals and one snack a day.
- Ending the Summer Feeding Program for children by the summer of 1983. About 1 million poor children are expected to get meals in this program in the summer of 1982.
- Eliminating food stamp and Medicaid benefits for upwards of a million people because of cuts and new eligibility requirements.
- Cutting from \$3,600 to \$2,000 a year the federal assistance low-income families get for housing.

The working poor have been among those hit hardest by budget cuts already approved, Mrs. Edelman said, and this is likely to continue if President Reagan's new cuts are approved.

Disincentives to Work

The report found disincentives to work in the changes the administration is making in the food stamp program. A working family that earns \$5,000 a year will get from \$300 to \$400 a year less in stamps than the family that receives \$5,000 a year from welfare or unemployment compensation.

In combining through the fine print of the budget, Children's Defense Fund found that the administration in cutting various programs had made in one place or another these assumptions: That the poor should pay 35 percent of their income for food, 30 percent for housing and 25 percent for home energy. The fund noted that these costs alone add up to 90 percent of the poor family's income.

The Children's Defense Fund estimates that 150,000 families will no longer be eligible for federally aided day care because of cuts at

ready made and that another 100,000 would be cut from the program next year if Mr. Reagan's new budget is approved.

Mrs. Edelman proposed as alternatives to the cuts Mr. Reagan is proposing a number of reductions in spending and tax breaks, including the oil depletion allowance, various agricultural subsidies and a wide array of military programs.

\$800,000 for White House

She noted that the 1983 budget contains an \$800,000 increase in residential expenses for the White House. "While we want President and Mrs. Reagan to live comfortably, we would prefer to use the proposed annual increase toward replacing 40 percent of the child-abuse prevention services which the president proposes to cut," she said.

In a section of the report entitled "Bombs Over Babies," Mrs. Edelman has these other suggestions:

- That the Defense Department cease sending routine, non-priority messages by teletype, which the General Accounting Office has estimated could save \$20 million a year. These funds could be used to restore cuts of about \$23.9 million in programs for handicapped children, she said.

- That the taxpayer subsidy of \$12.06 for every meal served in Secretary of Defense Casper W. Weinberger's private dining room be eliminated and that the secretary and his guests be required to pay the full cost of the food they consume. Each subsidized lunch served in Mr. Weinberger's dining room, she said, costs the taxpayers about the same as it does to serve 40 low-income children a morning snack of orange juice and crackers.

- That the Defense Department no longer provide shots and other veterinary services for the pets of military personnel and that the \$1.4 million now spent for that program be used to restore funds to immunize 35,000 poor children who were cut from the childhood immunization program last year.

AFL-CIO Proposes Changes in Reagan Budget

By Seth S. King
New York Times Service

BAL HARBOUR, Fla. — Accepting President Reagan's challenge to produce alternatives to his 1983 budget or keep quiet, the AFL-CIO has proposed that increases in military spending be on a pay-as-you-go basis with new tax surcharges meeting the new costs.

In the first action at its annual meeting, the labor federation's executive council also called Monday for a continuation of social programs at current levels, with financing being provided by higher corporate income taxes.

The council agreed unanimously on the proposed alternative to Mr. Reagan's \$757.6-billion fiscal 1983 budget, which includes a \$91.5-billion deficit.

Soviet Rocket Failure

Reported Near Finland

HELSINKI — A flying object believed to be a Soviet rocket burst into flames early Tuesday, spun out of control and fell near the Finnish-Soviet border, the Defense Ministry reported.

A ministry spokesman said witnesses in the eastern Finnish city of Kuopio had seen the rocket rising at 6:30 a.m. in fairly clear light.

The council, which includes the presidents of the 33 member unions of the American Federation of Labor and Congress of Industrial Organizations, dropped the organization's traditional support for increasing the level of military spending.

Barren on Poor

The council said Mr. Reagan's proposed increases in military spending were made by placing the military burden "squarely on the backs of working Americans and the poor."

"The AFL-CIO's long-standing support for a strong national defense does not obligate us to support a defense budget that is unfairly financed," the council asserted in a statement released after its closed meeting Monday morning.

"The AFL-CIO insists that, should Congress determine that higher levels of defense spending in fiscal 1983 are required, this increase should be fully financed by a progressive surtax on income," the council said. "At least one-third of this tax should be provided by an inescapable levy on gross corporate earnings. In this way defense needs can be met without adding to the federal deficit or cutting other already battered social programs."

In contrast to last year's session here at the Bal Harbour resort,

when criticism of the president was muted, the council accused him of pursuing a "corrupt and regressive ideology" that rewarded the rich and ignored the jobless and the poor.

At a news conference after the council meeting, Lane Kirkland, president of the 15-million-member federation, said the AFL-CIO believed that the U.S. Constitution obligated the government to provide for the nation's general welfare as well as for its common defense.

He said the federation was accepting the president's challenge and proposing a "straightforward attack on unemployment — the fundamental sickness produced by Reaganomics."

"We want Congress to halt any more budget cuts in vital social and manpower programs," he said. "We want the worst tax giveaways to the rich that were made last year rescinded. We urge the president and the Federal Reserve to relax their tight-money policy and to allocate credit to the most productive sectors of our economy. And we are asking that any increase in defense spending be financed on a pay-as-you-go basis with a progressive surtax on corporations and individuals."

In a detailed breakdown of its budget proposals, the council suggested that revenues be increased

by \$31 billion through a series of tax-law revisions that would include capping 1982 and 1983 individual tax cuts at \$700 per family; repealing the leasing of tax credits by corporations; and plugging loopholes in the oil windfall profits tax.

They could also be increased an additional \$33 billion by a special corporate and individual surtax on military expenditures. The two would yield increased revenues and savings totaling \$64 billion, the proposal said.

Spending for public works, job training, low- and moderate-income housing, extended unemployment insurance benefits, and for a New Deal-style Reconstruction Finance Corporation to provide loans and grants to ailing industries would cost \$23 billion, the proposal said. Restoring the president's proposed budget cuts in social programs would add another \$41 billion.

Other revenue would be produced by closing "specific tax loopholes," including changing the foreign tax credit to a tax deduction; repealing immediate write-offs of oil and gas drilling costs and special depletion allowances; reducing the Investment Tax Credit to former levels; and applying lower corporate income tax rates only to corporations with less than \$100,000 in profits.



Charles Haughey



Garret FitzGerald

Opposition Shows Gains In Irish Pre-election Poll

Reuters

DUBLIN — An opinion poll published Tuesday suggests that Ireland's main opposition party, Fianna Fail, has boosted its chances for Thursday's general election by promising to hold down the cost of food and clothing.

The poll, published by the Irish Times, gave Fianna Fail a five-point lead over the center-left coalition of Premier Garret FitzGerald, though it indicated that Mr. FitzGerald's personal popularity was still high.

The poll was taken after the party unveiled budget proposals last Friday for tackling the country's economic crisis.

The results of another newspaper survey, published Tuesday by the Irish Independent, put the coalition in the lead. But that poll was taken before the Friday announcement.

Fianna Fail's budget proposals were much softer than those put forward last month by Mr. FitzGerald. Parliament turned down his budget, forcing the election.

Fianna Fail rejected his plans to drop food subsidies and impose sweeping taxes on clothes, shoes and many other goods. Both polls published Tuesday said Mr. FitzGerald led Charles Haughey, the former premier who leads Fianna Fail, by 20 points in personal popularity.

The coalition of Fine Gael, Mr. FitzGerald's party, and Labor is asking Ireland's two million voters to endorse its tough plans for the economy in Thursday's vote.

Among the main factors in the country's economic crisis are an inflation rate of more than 20 percent, unemployment at 12 percent and huge foreign debts.

Low popularity ratings shown by the polls for Mr. Haughey have led him to abandon campaign appearances outside Dublin.

2 Opposition Parties Approve Merger But Brazil May Seek to Block Move

Reuters

RIO DE JANEIRO — Brazil's two biggest opposition parties have voted overwhelmingly to join forces, but there was speculation that the military-led government might intervene to prevent the merger, which must be approved by the electoral tribunal.

The centrist Popular Party and

At Least 4 Die in U.S. Storms

United Press International

LOS ANGELES — A series of storms ravaged the Pacific Northwest on Monday with gale-force winds and rain, triggering mudslides and flooding that killed at least four persons. Rising temperatures compounded the problem by melting snow to create avalanches.

the Brazilian Democratic Movement Party voted to merge in response to rule changes for congressional elections set for November. The new rules stipulate that a party can only enter candidates in areas where it has candidates for every office.

Political commentators said the existence of a large number of opposition parties favors the ruling Social Democratic Party, which is strong and well-organized.

11 Die in Pakistan School

The Associated Press

ISLAMABAD, Pakistan — Eleven teen-agers were killed when a religious school in Bathkela, 100 miles northwest of here, collapsed after heavy rains, the police said.

Economic Problems Threaten the Survival Of EEC, Thorn Says

The Associated Press

STRASBOURG — Gaston Thorn, the chief executive of the European Economic Community, warned member countries Tuesday that the group could collapse if it does not solve its economic problems.

"We will have to ask ourselves, in all honesty, whether the member states have any interest in a united Europe and whether the present community has lost its capacity to take decisions," Mr. Thorn said in a speech to the European Parliament.

Presenting the European Commission's 1982 program, Mr. Thorn decried growing trade barriers within the EEC. "The community is lurching from wine war to turkey fight to budget dispute," he said. "The short-term advantages of increased protection are negligible compared with the cost of a renationalization of markets."

Threat to Survival

Mr. Thorn said the EEC "could not survive the destruction" of its free trade principles.

Declaring that "the community is in danger," Mr. Thorn cited figures showing that 9.2 percent of the EEC work force is unemployed.

"Hopes of a recovery have been dashed time and again," he said. "Moderate growth was forecast for 1981, but the economy contracted instead. A few weeks ago we were still hoping for a 2-percent increase in gross domestic product in 1982; it now seems that this forecast might have to be revised downward."

Among the top priorities for 1982, Mr. Thorn said, is the effort to resolve the dispute over Britain's demand for a bigger share of the benefits from EEC spending.

He said the economic problems are particularly important this year because they are "sharpening tensions on the international scene."

Friction With U.S.

"Perhaps our main concern is the deterioration of relations with the United States," he said. The differences, he added, "could escalate into something much more serious than the present trade dispute."

The EEC executive observed, "We get the impression that Europe and the United States are beginning to doubt and hence distrust each other."

He said that high U.S. interest rates are imposing burdens on the entire Western economy and that unless there is more coordination between the United States and Europe, "increasing economic hostility would soon lead to political tension."

Turning back to problems with-

in the community, Mr. Thorn said that despite economic problems, governments should stop using budget constraints as an excuse to shove EEC-wide projects aside. He criticized a rule that prohibits the EEC from collecting more than 1 percent of member-country value-added taxes.

France Defends Farm Aid

BRUSSELS (AP) — France defended as "within the rules" its aid to farmers Tuesday but the payments came under attack from several other EEC countries.

Sources at a meeting of EEC agriculture ministers said Britain's minister, Peter Walker, reiterated the view that the payments give French farmers an unfair advantage over their EEC competitors and add to surpluses in production.

The French payments come on top of those from the EEC agricultural budget.

EEC Farm Commissioner Poul Dalsager told the meeting that commission officials were concerned about the French aid as a possible violation of EEC rules, the sources said.

The sources said France's agriculture minister, Edith Cresson, vigorously defended the payments as permissible under EEC law and necessary to guarantee the incomes of French farmers.

W. German Firm Owned by Unions Is Hit by Scandal

New York Times Service

BONN — The head of West Germany's DGB labor union federation, Heinz-Oskar Vetter, has announced that nearly half the members of the managing board of Neue Heimat, a union-owned concern that is Europe's biggest housing development company, were being removed from their posts.

The announcement, Saturday came less than a week after the news magazine Der Spiegel published detailed information alleging that the company's top officials exploited their positions to amass large private fortunes. The disclosures are jolting the powerful West German labor movement, already shaken by recession and unemployment.

The shake-up, in which Albert Victor, 59, the chairman of Neue Heimat, and two other officials were forced to quit, may embarrass Chancellor Helmut Schmidt's Social Democratic-led government, which counts heavily on labor union support.

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Prime Minister Dom Mintoff, center, as he took his oath in the Malta Parliament.

Opposition Boycotts First Session of Malta Parliament

VALLETTA, Malta — The opposition Nationalist Party has boycotted the opening session of Malta's new Parliament and demanded new elections.

Edward Fenech Adami, the leader of the Nationalist Party, said Monday that the Dec. 12 elections in which Prime Minister Dom Mintoff, a Socialist, retained his three-seat majority were not valid.

He accused Mr. Mintoff and his Labor Party of adjusting the electoral constituencies to his party's advantage. Because of the changes, the opposition

leader said, Mr. Mintoff won a narrow victory despite the fact his party received only 49 percent of the popular vote compared with 51 percent for the Nationalist Party.

"The elections were rendered invalid by an open violation of the Constitution," Mr. Adami said. "As a result, the country is in a constitutional crisis, with political, economic and social repercussions which will be all the more serious the longer the crisis continues."

The first session of the new Parliament and the swearing in of Mr. Mintoff as prime minister took place with the opposition benches empty.

New Yorkers Join Effort to Aid Homeless

By Robin Herman
New York Times Service

NEW YORK — An unusual popular movement to help the city's homeless is taking shape in New York City.

Individual New Yorkers and churches, synagogues and private groups — such as the Astor Foundation and the Bronx Corp. — are beginning to join in the effort. And the city's Human Resources Administration has noted in the last few weeks a marked increase in calls from residents reporting homeless men and women in their neighborhoods who need help.

This increase in public concern and action appears to have been spurred in part by a remark by Mayor Edward I. Koch, who urged churches and synagogues to take in the homeless. Another factor may have been the publicity that followed the death in the street last month of an elderly woman, Rebecca Smith, who had lived in a cardboard box. She died of exposure to the cold as city authorities were preparing to help her.

Until recent months there were few champions of the tens of thou-

sands of homeless aside from city social workers, the Coalition for the Homeless — a federation of voluntary agencies — and Robert M. Hayes, a volunteer lawyer. Mr. Hayes pressed the lawsuit that led the city to provide shelter for any homeless person who asked for it.

Mr. Hayes said, "For me personally it's probably the most rewarding, learning that people aren't heartless at all, that they really care about these poor folks and they just want to know how to help."

Brakeless Boeing 737 Slides Off L.A. Runway

LOS ANGELES — An Air California Boeing 737 with a hydraulic problem that rendered its brakes inoperable slid off a runway into a sandy embankment during an emergency landing at Los Angeles International Airport, the authorities said.

None of the 119 persons aboard was injured in the incident Monday night, the officials said.

Mr. Hayes plans to leave a law firm to work full-time on the homeless issue as a lawyer for the Coalition for the Homeless. He will have a budget of \$70,000 for his work, donated by several foundations and corporations.

In the bitter cold of this winter, when hundreds of homeless people sleep in city armories, Mr. Koch suggested that churches and synagogues take in 10 homeless people each from their neighborhoods. The remark took Human Resources Administration officials by surprise. At first, religious leaders balked at the practical impediments — who would stay with them overnight? Who would pay for heating and food costs? Would they be deluged and given medical attention?

But now a Roman Catholic and an Episcopal church are actively aiding the homeless while five other churches are working out plans with the city. The New York Federation of Reform Synagogues has stepped up efforts to collect food and money for fuel needed by the poor — in direct response to Mr. Koch's plea.

Trip by Mrs. Thatcher Reinforces Tough Image But Softer Side Also Emerges During a Politicking Swing Into Lincolnshire

By Steven Rattner
New York Times Service

GRANTHAM, England — Prime Minister Margaret Thatcher stood in the high-ceilinged hall of the Victorian school building she once entered daily and reminisced about her early efforts to win admission to Oxford University.

Grantham Girls' High School, she recalled, did not teach Latin, a subject required by the university.

"You can do it in 10 weeks flat out," declared Mrs. Thatcher, as she faced several hundred students, teachers and local dignitaries. "I started at the beginning of the summer recess and I learned to work all day to do it, and holidays, and we got it."

That comment was just one of many insights provided by Mrs. Thatcher in a swing through her home county, Lincolnshire, which mostly reinforced her image of toughness and determination. At a factory stop, for example, she strode through a small group of hostile demonstrators to greet an elderly woman seated in a wheelchair waving a Union Jack.

Confusing Figure

Such is the mettle of a leader who has been called "the toughest man in the Cabinet" and the "Iron Lady." To Britons, she is a somewhat confusing figure. They recognize that tough economic policies were needed but feel that her Conservative approach has gone too far. They admire her for courage, but find her cold and uncompromising.

"She reminds me of my mother-in-law," said a worker at Ruston Gas Turbines Ltd., after a brief discussion with Mrs. Thatcher, "but she doesn't seem quite as false as she did on television."

That is a nearly universal reaction. In her personal contacts, a politician's instinct takes over and she comes across as more human, as she allows a bit more of her personality to show through. Some of her studied upper-class accent, which is her single most resented trait, also falls away as she converses, unfurling courtliness.

With an election certain within two years, Mrs. Thatcher's aides are taking increasing pains to polish her image, in part through such excursions. At a stop at a wallpaper factory, they went to great lengths to make sure she greeted 15-year-old Mark Beaton, who holds his job because of a government work experience program she instituted.

Popularity Rising

Perhaps partly as a result of such new concern, Mrs. Thatcher's popularity has begun to show the first signs of rising since she took office. In December, according to a poll by Market and Opinion Research International, her approval rating rose from 25 percent to 32 percent, although the temporary disappearance of her son in an

auto rally in the Sahara, a modest improvement in the economic outlook and disarray among her opponents played a part as well.

She sometimes seems more at ease with machines than with people. During the partly political swing, she toured two factories, delving deeply into the mysteries of gas turbines and wallpaper manufacturing but greeting only those workers who happened to be in her path.

After a full day's work and a three-hour drive, Mrs. Thatcher faced party workers until 2 a.m. and then began a five-stop program the next morning at 8. When she tours factories, her advance team has been told, she likes

climbing around on catwalks. At the end of the day, she is as composed as when she began it.

The trip also demonstrated the intensity of the antagonism felt toward Mrs. Thatcher, even here in her home county, which she carried handily in the 1979 election. At every stop, she was met by demonstrators holding signs like "One Last Cut — Thatcher's Throat." Outside her old school, Harry Hibbert, a 64-year-old war veteran, threw his medals at her car to protest her policies.

And even in the two factories, which are among Britain's great success stories, some criticism of her was heard. Unemployment in Lincolnshire, an unattractive East

Midlands horizon of farmland broken only by transmission lines and power plant towers, rose to 12.8 percent in January, above the national average.

The most persistent theme in Mrs. Thatcher's utterances during the journey was old-time virtues, her most evident passion. "You only get what you pay for," she told a wallpaper technician as the different thicknesses were explained to her. Respect for institutions, courage and determination are all among the virtues that she repeatedly extolled.

So is boldness. "I don't mind dropping a few bricks," she told her audience at the school. "You learn so much that way so long as it doesn't drop on your foot."



Margaret Thatcher

U.S. Says Russia Violates Chemical Arms Pacts

MADRID — The United States charged Tuesday that the Soviet Union operated a score of chemical and biological weapon production facilities in contravention of international accords.

Max Kampelman, the chief U.S. delegate at the Conference on Security and Cooperation in Europe in Madrid, told the 35-state meeting that the Soviet Union had deliberately violated the 1925 Geneva Convention and a 1972 agreement to ban the stockpiling of biological weapons.

He said the Soviet Union operated a biological weapons research and production facility in Swedenborg, in the Ural mountains, and "we are aware of five other such facilities in operation today."

He added: "The record will also show that today, the Soviet Union operates at least 14 chemical weapon production facilities."

Russian Denies Charge

Leonid Rylchov, the Soviet deputy foreign minister, angrily denied the charge, calling them lies and "false and provocative propaganda," according to conference sources. He added that the United States had used chemical defoliants in Southeast Asia during the Vietnam War.

Mr. Kampelman said his reference to chemical warfare was in response to Mr. Rylchov's criticism last week of U.S. plans to produce chemical weapons.

Mr. Kampelman defended President Reagan's decision to resume the manufacture of chemical weapons after a 12-year moratorium. Mr. Reagan notified Congress of the decision on Feb. 8 in a letter to House Speaker Thomas P. O'Neill Jr., Democrat of Massachusetts.

That move, Mr. Kampelman said, was the only "credible and effective deterrent" to Soviet production. "It is thus the reluctant policy of the United States to build and maintain a chemical munitions stockpile to deny a significant military advantage to any who would seek to initiate their use," he said.

He added: "It is our fervent hope that this program will provide an incentive to the Soviet Union to join us in seeking a complete and verifiable ban on the production, development and stockpiling of all such weapons."

The U.S.-Soviet exchanges took place during an informal meeting of the heads of delegations at the conference.

The conference, which resumed on Jan. 26 after a six-month break, has been dominated by East-West disputes over the declaration on Dec. 13 of martial law in Poland. NATO members and other Western states have said no progress could be made at the meeting until Warsaw lifted martial law.

Delegates from neutral and non-aligned countries taking part in the conference met Tuesday to discuss a Swiss proposal for an adjournment, perhaps until next September or October.

But some countries, including Austria and Finland, opposed an immediate suspension and no

agreement was reached, conference sources said.

UN Body at Afghan Border

ISLAMABAD, Pakistan (Reuters) — UN officials investigating charges of chemical weapons use in Afghanistan visited the Pakistani side of the border Tuesday.

The team, which had a mandate from the UN General Assembly to look into charges that chemical

weapons were being used by Soviet and Afghan government forces, earlier interviewed Afghan refugees and Pakistani doctors in Peshawar, northwestern Pakistan.

The agency said they were shown gas masks and special shoes for use in chemical warfare. It said the equipment was brought from Afghanistan.

Southeast Asians Suggest Japanese Should Play Bigger Military Role

New York Times Service

HONOLULU — Southeast Asian officials and defense analysts at a private conference in Hawaii generally favored a strengthened, if still limited, defense capacity for Japan.

The delegates from members of the Association of Southeast Asian Nations (ASEAN) — Thailand, Malaysia, Singapore, Indonesia and the Philippines — were meeting political and military officials and private specialists from outside the region. The Southeast Asians favored a continued U.S. military presence in the area, but some suggested that Japan should play a greater military role.

Thanat Khoman, Thailand's deputy prime minister, said, "It is time for Japan to do more than rely on the U.S. umbrella" for security. If Japan "only defended the immediate area," he declared, Soviet forces deployed in Asia would be "tied down instead of prowling the Pacific and Indian oceans."

The Asian delegates disagreed over whether China or the Soviet Union is the more immediate menace to non-Communist nations in the region. But they agreed that Soviet influence in Vietnam is a serious threat.

The Southeast Asians asserted that the booming economies of the five-nation group and the occupation of Cambodia and Laos by pro-Soviet Vietnamese forces had hurt Chinese-supported Communist parties in ASEAN countries. The Asian delegates maintained, however, that a heavily armed and aggressive Vietnam posed a new danger.

A Thai security official said that the Vietnamese hold on Cambodia "threatens the northeastern provinces of Thailand."

Southeast Asians also expressed concern over U.S. aid to China. A Malaysian said China was "the greatest threat" to his country.

An Indonesian, who said his country was very concerned about Soviet expansionism but did not see the Soviet presence in Vietnam as an immediate threat, called on the United States to cooperate in a program to enable the Southeast Asian allies to standardize their armaments.

Other countries represented at the unofficial meeting, held behind closed doors at a secluded resort hotel, were Japan, South Korea, Australia, France and the United States. The three-day conference, which ended last week, was orga-

nized by the Pacific Forum, a Honolulu-based Asian and Pacific affairs study group headed by a retired U.S. rear admiral, Lloyd R. Vasey.

U.S. participants included Richard G. Stilwell, deputy undersecretary of defense; Thomas P. Shoemaker, deputy assistant secretary of state for Asian and Pacific affairs; Philip C. Habib, former undersecretary of state, and Richard L. Schneider, former ambassador to South Korea.

Hughes' Financial Adviser, Noah Dietrich, 92, Is Dead

By Walter H. Waggoner
New York Times Service

NEW YORK — Noah Dietrich, 92, financial adviser and chief executive for Howard R. Hughes for more than 30 years, died Monday in Palm Springs, Calif.

Mr. Dietrich was taken to the hospital Monday morning by his wife, Mary, who said that he had

been suffering from a heart ailment in recent years.

Mr. Hughes hired Mr. Dietrich, then an accountant, in 1925, when his employer was, at the age of 19, already the owner of the Hughes Tool Co.

From that beginning, Mr. Dietrich directed the industrialist's business operations and financial empire until 1957, when they broke up after a bitter dispute over how Mr. Hughes managed his money and the terms of Mr. Dietrich's \$500,000-a-year contract.

Two years later, in settlement of a \$2.1-million suit that he had filed, Mr. Dietrich received a substantial payment from the Hughes Tool Co., where he had been executive vice president.

In 1972, Mr. Dietrich wrote a biography of Mr. Hughes, who died in 1976, in which he said that he had chosen a life of extreme reclusion for more than a decade because he feared that his appearance would raise questions about his mental capacity.

The book, entitled "Howard — The Amazing Mr. Hughes," became the center of a literary controversy when a reported first draft was thought to have been the basis for a bogus autobiography of Mr.

Hughes written by Clifford Irving. Mr. Dietrich was born in Wisconsin, one of seven children of a Methodist minister. After six months as cashier of a bank in the frontier town of Maxwell, N.M., he moved to Los Angeles in 1911 and soon was involved in a project to supply the city with water and in the developing land boom.

He became an auditor for a syndicate headed by Harry Chandler, late owner of The Los Angeles Times, that bought ranches in the San Fernando Valley and sold them at a profit when Owens River water was brought into the area.

Mr. Dietrich was married three times and, in addition to his wife Mary, he is survived by three children by his second wife, Carol.

Tommy Jackson

NEW YORK (NYT) — Tommy (Hurricane) Jackson, 50, the Rockaway Beach heavyweight who lost a bid for the world championship in 1957, died Sunday in Queens.

Mr. Jackson, who retired from the ring at the age of 24, had been struck by an automobile last month as he was getting into the cab he drove for a living. His record when he was forced into retirement was 34 victories, nine losses and one draw.

Adm. Waldemar Verner

BERLIN (Reuters) — Adm. Waldemar Verner, 67, a window dresser who became an East German deputy defense minister, died Monday, the Communist Party newspaper Neues Deutschland said Tuesday. He was a member of the party's Central Committee and former head of the armed forces political administration.

U.S.-Argentine Effort Yields Perennial Corn

By Walter Sullivan
New York Times Service

NEW YORK — For thousands of years farmers have had to plant a new corn crop every spring. Recently, however, an American-Argentine collaboration has bred a perennial variety by crossing corn with a distant wild relative, native to Central America, known as teosinte.

Since corn is a mainstay of the world's food supply, the development among plant breeders. The products of the corn-teosinte cross, now in their third season of growth, scarcely resemble what farmers and consumers today know as corn, but the achievement still holds hope for major increases of food production, especially in developing countries where corn is grown for fodder rather than grain.

The achievement of perennial corn is a personal triumph for Dr. Paul C. Mangelsdorf, 82, for more than 20 years a professor of botany at Harvard University. He is now at the University of North Carolina. It was he who supplied the crossbred seeds from which Ju-

lian Camara-Hernandez, professor of agricultural botany at the University of Buenos Aires, has grown the perennial corn and other hybrids.

The possibility of breeding perennial corn was suggested in 1979 by Dr. Hugh H. Illis, a botanist at the University of Wisconsin in Madison, when he described in the journal Science the discovery of a perennial teosinte whose chromosome count was similar to that of corn.

When plant or animal cells divide, the genetic material in their nuclei organizes itself into a characteristic series of bundles known as chromosomes. Corn has 20 chromosomes as does the annual form of teosinte. Hence in Mexico, where teosinte sometimes grows

near corn patches, the plants may interbreed, exchanging genetic properties.

In 1910, Dr. Albert Hitchcock of the Smithsonian Institution found a perennial teosinte near a railroad station in Jalisco State, but it could not be crossbred with corn because it had twice as many chromosomes. For half a century after 1921 no more of the plants were seen.

Irresistible Challenge

Then, in 1978, Rafael Guzman, a botany student at the University of Guadalajara in Jalisco, discovered a surviving patch. On an expedition higher into the mountains, Mr. Guzman, Mr. Illis and others then found a large plantation of perennials at a height of 7,500 feet, and the plants, like corn, proved to have 20 chromosomes.

This new species, they reported in Science, "should provide geneticists and maize breeders with a potentially valuable source of germ plasm and may lead to the development of perennial maize."

To Dr. Mangelsdorf this was an irresistible challenge. Even though a perennial teosinte had now been found with the right number of chromosomes, its genetic makeup was still very different from that of corn. He crossed the perennial teosinte with a primitive form of Mexican popcorn whose hard seed casing and other properties were closer to those of teosinte than other corn varieties.

To expedite the experimental research in which I had embarked at the advanced age of 80 years," he wrote after harvesting his first seed, "I considered it essential to obtain two generations a year. This could be done by airflying

newly harvested seed north and south between the hemispheres, thus gaining two growing seasons every year. Seeds were planted in Argentina, Florida, Texas and North Carolina.

Some of the plants in Argentina have already survived three seasons. Others have turned out to be annuals, but with far more extensive root growth than normal corn. Some of the perennial plants are seven feet tall.

Plant breeders say the chief gain for farmers in the American Corn Belt will be further crosses between perennial teosinte and American corn. These crosses, they hope, will acquire teosinte's disease-resistant properties but remain annuals.

An important property that can be imparted to the crossbreeds is a root system far more extensive than in existing varieties. This should help protect the land against erosion. At this time corn, planted in widely spaced rows and with meager root growth, allows heavy erosion, and where it is planted year after year, the top soil is rapidly vanishing. Some of the corn-teosinte hybrids, while remaining annuals, have already shown enlarged root systems that may lend themselves to soil control planting.

Norway Leader Visits Bonn

BONN — Premier Kaare Willoch of Norway arrived Tuesday in Bonn for talks with Chancellor Helmut Schmidt. The Polish crisis, NATO nuclear strategy and West German-Norwegian energy cooperation were expected to figure among the topics, Norwegian sources said.



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Tango Is Alive and Well in Paris

By Michael Zwerin
International Herald Tribune

PARIS — The tango was created in the late 19th century out of a mixture of African elements brought to the cities of the Rio Plata by slaves, gaucho songs brought from the pampas, and zambonias and bel canto brought by Italian immigrants, who also brought bandoneons, the accordion-like instruments associated with the tango.

It matured in slums and red-light districts of Buenos Aires and Montevideo in the early 20th century, at the same time that jazz was maturing under similar conditions in New Orleans.

Horacio Salgan, appearing at the cafe-theater Trottoirs de Buenos Aires in Paris through March 16, is one of the tango's most notable pianists. His contemporary feeling, delicate touch, lyrical phrasing and harmonic and melodic brilliance include traces of Ravel, ragtime and Bill Evans.

Born in 1916 in Buenos Aires, where he still lives, he accompanied silent movies in the '30s, played piano, organ, bass and saxophone in jazz and pop groups, and formed his first orchestra in 1944. He has led duos, quartets, octets and a big band. He recorded a series of hits in the '50s — "Grillito" and "Don Augustin Bardi" among them. His arrangements have become the standard version of certain traditional tangos. This music has its commercial and intellectual streams and, although he is in demand and concertizes and records regularly, Salgan is more innovator than pop star.

He was part of a chain of creative people, including Carlos Gardel, Julio de Caro, Osvaldo

Pugliese and Anibal Troilo, through whom the tango evolved to more sophisticated levels beginning in the '20s. In the '60s, again like jazz, it went into a decade-long rock-induced decline.

Origin of Word

According to the Argentine percussionist Martin Saint-Pierre, also an amateur ethnomusicologist, the word tango comes from "tambo," the name for the black ghettos of Buenos Aires a century ago. He says that the enormous African influence on the tango is not generally known but that there is some convincing evidence.

"Milonga, one form of the tango, means 'word' in an Angolan dialect," Saint-Pierre says. "The word tango first appeared in 1891, to describe a dance by a black couple in a Creole stage presentation. One of the first tango bandleaders, Sebastian Ramos Mejia, who worked in a Buenos Aires club called the Rodégan around the turn of the century, was black. The first tango bassist, Ruperto Lepoldo, was also black. He invented a rhythmic structure called 'canyengue' within the milonga form by tapping the back of his bass as though it were a percussion instrument."

Salgan does not agree: "There may have been some African influence at the beginning but not much remains. One proof is that, except for the candombe (a Uruguayan tango form), there are generally no percussion instruments in tango. In any case it long ago absorbed all its influences. Unlike the polka, it is not limited to one mood. It can be happy, ironic, nostalgic, sad, a protest. The tango is everything."

It was brought to Paris right after World War I (about the same time as jazz came to Paris) by Carlos Gardel, called "king of the tango." (Salgan wrote an oratorio named "Carlos Gardel" for symphony orchestra and chorus that has been performed in Buenos Aires.) Gardel was charming, an innovator, an idol. Argentines claim him as Argentine because he grew up there, some Uruguayans consider him Uruguayan and the French say he's French because he was born in Toulouse. He sang about tragic themes like women who got away. He dressed in a gaucho costume, even though the form has relatively little to do with gauchos.

"It is a false image," laughed Salgan, a modest, dignified man who looks younger than his age and speaks with the quiet reluctance of a musician who would rather make music than talk. "It is like jazz musicians dressing as cowboys to identify their music with America. That image is peculiar to France, by the way. Some people say that one reason it started was because the French musicians' union did not allow foreign musicians to work here unless they did something typically folkloric. So Gardel dressed like a gaucho and that continued."

Revival in 1970s

Along with a general revival of interest in ethnic matters, the tango revived in the '70s, thanks to evolutionary pushes by Astor Piazzola and Gato Barbieri, who opened it toward jazz (the tango has rather strict rules that allow for little improvisation, but comparison with jazz seems to be inescapable) and Cuarteto Cedron. The Bertolucci film "Last Tango in Paris," starring Marlon Brando, was not the least of it.

Salgan plays many concerts in universities and he says there is a crop of talented young tango musicians. He has also found a rising level of international interest. He recently toured Israel, and his last 50-concert tour of Japan a year ago, his fourth, was with his 15-piece orchestra of five bandoneons, five strings, two singers, piano and guitar.

"Radio and the record companies have pushed rock so hard that it is not easy for a young person to hear the tango in Argentina. But I have been playing it for 40 years. There is an enduring quality about it, like jazz it wears well. The audience is perhaps more limited than it once was, but it is passionate and faithful."

"The level of musicianship has improved greatly. Once classical instrumentalists considered it beneath them. But now symphony musicians also play tango and chamber orchestras often include tangos in their repertoire. It is not artificially maintained, it is not static, it is not a museum piece. The tango is living music."

Films: Henri Verneuil's 'Dollars' Is a Fistful of Clichés

By Thomas Quinn Curtiss
International Herald Tribune

PARIS — "Mille milliards de dollars," a title that suggests a sum that might be squandered on a colossal Hollywood flop, was written by Henri Verneuil, its director, after reading a book by the economist, Robert Laties. Thunderstruck by the book's disclosures of the gigantic operations of multinational corporations under U.S. control, Verneuil, having purchased the rights to the book, decided to make a film about it.

Rather than a startling exposé of the devious transactions of this firm or that, his script is framed as a general attack on a system of high and frenzied finance, and resembles the Broadway clasp about Wall Street when Theodore Roosevelt's "trust-busting" was in the headlines. One regrets that Verneuil has not followed the lines of the venerable formula more closely to include the surefire climax in which the mighty tycoon learns that he has been wiped out on the Street while his wife is giving a fancy-dress ball.

Verneuil has gone in for some incorporating himself on this occasion, uniting the substructure of the quondam shocker with that of the newspaper melodrama, with the background shifting from big business meetings to a great daily's city room.

His protagonist is a young journalist who yearns to be the Zola of "Finance" and finds an opportunity to shake the temple of the money-changers by a chance tip. From then on he is in mortal danger and narrowly escapes being shot for knowing too much. Though there are frantic excursions and alarms, we are left knowing very little. Indeed, the information is so scanty that some spectators, after an episode depicting a U.S. capitalist's visit to Germany to confer with Hitler, may wonder on which side the United States fought in World War II.

Less subtlety and more matter would be welcome. The dramatic personae here are transparently fictionalized, all of them show puppets: the Lochinvar reporter; his wife, in doubt about his grandiose quest; the wheedling dealer with his estranged wife and his mistress; the suave president of mammoth, menacing enterprise; the public relations officer; the private detective; the tall-tale retired member of the organization, and the informer of "Deep Throat" ilk.

Verneuil, a dexterous craftsman of screen chases and pistol-point confrontations, has included some of these to interrupt the often excessive conversation. He must, too, be awarded full marks for the adroit casting. Each performance has its spark of originality among the sometimes clanging clichés of the lackluster dialogue. Patrick Dewaere achieves his soundest characterization yet as the reforming journalist, while Jeanne Moreau, Anny Duperey, Fernand Ledoux, Jean Mercure, Mel Ferrer, Michel Audoir, Jean-Laurent Cochet and Jacques François, all seasoned players, bestow a helpful reality on all they are called upon to do.

"Mille milliards de dollars" tackles the theme it has selected with kid gloves and bombastic preaching, but the professionalism of its production assures it of box-office success.

"Espion, vive-toi" of Yves Boisset is concerned with the misadventures of a secret agent functioning in Zurich and drawn into a fatal trap. It benefits from the presence of Lino Ventura and Michel Piccoli in its leading roles and their histrionic duel is its sole asset. The management of its narrative is frequently so awkward that even they have uphill going, while the required suspense is ever on the verge of collapse. A lack of directorial invention troubles it throughout and the unrelied solemnity of the treatment causes it to grow depressingly monotonous. Assassinations, kidnappings and shoot-outs fail to bring theatrical life. It concludes appropriately in a cemetery. Its thriller plot is not at fault. In the hands of a Hitch-

cock it might have blossomed into exciting entertainment, with liberal dosages of humor to wake it from its current gloomy slumber.

Patrick Dewaere (left), Jean-Pierre Kalfou in "Mille milliards de dollars."

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Patrick Dewaere (left), Jean-Pierre Kalfou in "Mille milliards de dollars."

How-To Manuals Give Scoring Tips on New Video Games

By Richard T. Pienick
The Associated Press

NEW YORK — There's trouble in Video Game City: code books. Memorize the manual and you'll get hours of playing time for just one quarter.

Video buffs have been exchanging techniques for pattern playing, sending U.S. arcade owners — who grossed an estimated \$5 billion last year — to the edge of financial hyperspace.

Now the owners face a new problem — a growing number of best-selling paperbacks that serve as how-to manuals.

"Of course it's going to hurt business," said Irving Tanne, co-owner of Manchester Music, a New Hampshire company that owns about 700 video games. "The longer a person plays on a quarter, the less quarters I get."

Five Already Published

There are at least five such paperbacks on the U.S. market, ranging in price from \$1.95 to \$3.95: "Mastering Pac-Man" (Signet), "How To Master the Video Games" (Bantam), "How To Win At Pac-Man" (Pocket Books), "How To Beat the Video Games" (Simon & Schuster) and "Scoring Big at Pac-Man" (Warner Books).

"Theoretically, you could have a user's manual for each of these games," said Ken Uston, a blackjack expert, who wrote "Mastering Pac-Man."

The original press run on Uston's book was 500,000, but start orders even before the book was released required another

250,000-copy printing. Signet spokeswoman Fern Leiber Edison said. After two weeks in bookstores, Uston's book had climbed to No. 5 on B. Dalton's mass market best-seller list.

Bantam's entry, written by 19-year-old New Yorker Tom Hirschfeld, has sold about 650,000 copies and recently appeared on The New York Times' mass market paperback list.

More Skill Involved

Pac-Man has received a lot of literary attention because it lends itself to more thorough analysis than attack and reflex games. Uston said maze games such as Pac-Man require "the most skill, about 90 percent, and only 10 percent hand-and-eye coordination." Attack games range from 90 percent hand-and-eye coordination to 50-50, he said.

Uston turned his attention to Pac-Man while awaiting the outcome of court appeals on his banishment from casinos in Atlantic City. He is an expert blackjack "counter" who can calculate the chances of a high or low card turning up after several decks of cards have been played.

His book is the most elaborate on the popular Pac-Man game. It provides diagrams of patterns for the original arcade games, gives advice on how to handle new programs and includes tips on how to play the various table models, some of which look, sound and play like the larger arcade versions.

"The manufacturers are so worried that everyone's going to master these games,"

Uston said during an interview conducted recently over a Pac-Man board at a Broadway arcade.

"But look, I just messed up," he said as his Pac-Man was caught by a pursuing monster. Until he was distracted by a crowd that had gathered around his board, he had effortlessly reached a score in excess of 50,000. Novices have to scramble to get 15,000.

Uston, who is writing a second book on arcade games, doesn't consider himself an expert at playing, just at analyzing. At a recent arcade party held to promote Coloco's new line of portable, self-contained games, including Pac-Man, Uston brought along Raymond Chan, a 20-year-old college student from San Francisco.

1.4 Million Points

Uston asked Chan to help him with his book research after he saw Chan walk away bored from a Pac-Man game after racking up 1.4 million points without a mishap.

Chan said the pattern books "show how the games work and give more of the fine details. The more patterns you get, the more interesting it is. Once you get the hang of it, it's more fun."

"It might take the self-experimentation out of it, and maybe that's bad, but look at all the quarters it [the experimentation] would gobble up," Uston said.

Arcade owners, concerned in the end with the balance sheet, don't see it that way at all. The longer each game lasts, the longer it is

before the next quarter drops into the machine.

To combat pattern playing, new computer programs have been devised.

"Most of our games are speeded up," said Ellsworth Brown, manager of an arcade in Morris County, N.J. "After all, that's what we're in the business for, to make money, right?"

Brown said most of his customers feel that how-to books "spoil the game, but then there's the professionals, who want to get everything they can for their quarter."

New program-changing computer chips and accelerated games usually put would-be pros in their place, said Brown. "We had a guy who got 600,000 on Pac-Man. Now, with the game in the 'advanced stage,' he's lucky if he gets 50,000."

Arts Agenda

PARIS — A season devoted to the early opera of Verdi opens Feb. 19 at the Theatre National de Paris (Chatelet) with a production of "Macbeth" staged and designed by Pier Luigi Pizzi, conducted by Daniele Barenboim, and with Karl Munnich in the title role and Ovide Stepp as Lady Macbeth. "I Macbeth" follows Feb. 20 in a production originally staged for the Nancy Opera by Pierre Constant and designed by Roberto Franz Digne. Macbeth, conducted and the cast is headed by Margherita Cudro Alberti, Ovide Stepp and Antonio Salcedo. They will alternate performances through March 5. "Alcina" follows from March 14 to 27, with Karl Munnich in the title part and Marilyn Zuckerman, John Ransmay and Francisco Ortiz in other principal parts, conducted by Gian Luigi Gelmetti and played and designed by Rene Allio. "Ernest" will be given two concert performances on March 21 and 24 under the musical direction of Jeanne Delacour.



Marlon who? Horacio Salgan plays far-from-the-last tango.



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BMW AG, Munich

Costa Rican Prospects

Costa Rica's condition can be tersely summed up: worthy, democratic and broke. In no other Central American country are free elections and the orderly rotation of power taken for granted. So nobody doubts that the recently elected Luis Alberto Monge will take office as president in May, putting his party in power once again. But what are his and Costa Rica's prospects if the bottom falls out of the economy?

That could happen, especially if an attitude of bland unconcern persists in the United States.

When coffee prices were high a few years ago, Costa Rica went on a borrowing spree. Few foresaw that interest rates and the energy bill would jump just as coffee prices tumbled. To borrow so heavily was surely unwise — but it was encouraged by Washington and eager commercial banks.

Thus a country of 2 million struggles with a foreign debt of \$2.6 billion and cannot even meet interest payments. Creditors have postponed the reckoning, partly in deference to the elections. They hope the new government will negotiate a debt-tightening accord with the International Monetary Fund and reschedule the whole debt.

Meanwhile, the country needs about \$300

million this year simply to pay interest that is due, and overdue. The United States is not alone responsible for bailing out Costa Rica, but it can take the lead in framing sensible conditions for a collective effort — as it did in the case of Turkey. When Costa Rica asked for guidance last summer, the new Reagan administration showed it the door to the World Bank, and left it at that. Even now, Washington has still not spelled out the details of the promised Caribbean development program, which is supposed to include more money for emergency bailouts.

From a banker's vantage, a Costa Rican default is a calamity to be avoided at any sensible cost. But political considerations are even more compelling. Violence is almost unknown in Costa Rica, a country without a serious army or serious insurgency. Its voters overwhelmingly reject parties of the far left and right. And until its recent troubles, Costa Rica had been favored with 30 years of ordered growth and enviable vitality.

Those are important blessings, worthy of more recognition from a United States so obviously baffled by violence nearby. Why not invite President-elect Monge to Washington to advertise a still manageable crisis?

THE NEW YORK TIMES.

Gold, Common Sense

The Gold Commission has performed the modest public service of stating the obvious. The United States, it now concludes, ought not return to the gold standard. For some months, the commission has provided one of Washington's more ludicrous sights: Seventeen people solemnly gathered around a large table at the Treasury Department to discuss a proposal that most people correctly believe to be impossible even if it were desirable, and undesirable even if it were possible. The whole performance has been little more than another tedious concession to a small sect of monetary ideologues.

It is their view, impervious to all evidence, that a gold standard brings rising prosperity and an end to inflation. Some of the defects in their case are noted in a brief but useful passage in the report published last week by the president's Council of Economic Advisers. If a gold standard brings stable prices,

why did wholesale prices fall by half in the 30 years after the Civil War? And why did they then double in the years before World War I — all of this creating a succession of deeply damaging panics and crashes?

There's no particular harm in the Gold Commission's suggestion of a gold medalion being sold by the government as long as it is not regarded as currency. But the further suggestion of exempting such a medalion from capital gains taxes is another touch of the wrongheadedness that seems to infect the whole subject of gold like a kind of intellectual chicken pox.

Both the president and Congress talk endlessly, and rightly, about the need for productive investment that generates jobs, goods and technology. Why in the name of common sense create a tax incentive for investment that is always totally unproductive?

THE WASHINGTON POST.

Killing the Messenger

As the harsher effects of the Reagan administration's budget reductions become evident, it is likely that corrections will be made; some already have. But there is no way to remedy one type of loss that is already occurring — the loss of valuable data that measure the United States' social and economic progress and the effect of government policy upon it.

Government data have an enormous market. They are used not only by policy-makers in the administration and Congress, but by businesses and individuals throughout the country who need to know what is happening to prices, unemployment, income, population trends and community development.

The administration's budget cuts and administrative shake-ups have caused enormous disruption in even the most venerable government statistical agencies. Both the Census Bureau and the Bureau of Labor Statistics are canceling surveys, eliminating publications and delaying needed improvements in such basic statistics as the consumer price index and local area unemployment counts. Highly trained staffs are in turmoil as junior workers are laid off and more senior people are transferred or downgraded.

Similar disruption is occurring throughout all the many agencies that collect and analyze economic and program-related data. Some of this information feeds directly into widely used series such as the consumer price index, and the national income accounts, which measure, along with a hundred other things, the rate of economic growth — a

central figure in the U.S. policy debate. Other sources are important indicators in themselves. The Department of Health and Human Services, for example, has long been the major source of information on the characteristics of recipients of government benefits — information that was widely used by Mr. Reagan's budget director, David Stockman, in planning and justifying many of his budget proposals.

The department now plans to cancel several important surveys. Among them is the only continuing source of information — gathered by the University of Michigan for almost 15 years — about the changes in income, work and family makeup from year to year. Also canceled are the biennial survey on Aid to Families with Dependent Children — the only state-by-state source of information about families on welfare — and a carefully designed survey that would have provided the first complete information on how many people benefit from different government programs and on how serious poverty is in the United States really is.

Some surveys being canceled will not be widely mourned. But when important data sources start disappearing — and examples of refusals to fund or publish research that might contradict established policy keep surfacing — suspicion begins to dawn. If the administration's policies work as well as it anticipates, it should welcome thorough analysis of their impact. And if the policies don't work, then the public should know about it.

THE WASHINGTON POST.

Other Opinion

Peace in Indochina Remote

Peace in Indochina seems as far away as ever. Three years of diplomatic, political and economic siege of Hanoi have achieved virtually nothing, except perhaps to make its rulers more inflexible. Vietnamese troops remain in Kampuchea three years after the invasion, supported by the Russians and apparently containing the challenge from the Khmer Rouge guerrillas operating from their jungle sanctuaries on the border with Thailand. Worse, there are now signs that Vietnam's occupation of Kampuchea, until recently an issue which galvanized and united ASEAN, is beginning to divide it. Disarray in ASEAN's ranks serves nobody's interest.

But a healthy debate about the alternative to the present policy would be no bad thing either. In particular, there is a case for exploring the possibility of a... dialogue with Hanoi. There are, inevitably, problems. Hanoi, with less than total candor, refuses to talk about Kampuchea, which it says is an internal matter for Heng Samrin. And no solution to the Kampuchean problem would work unless China agreed to underwrite it. But stability in Southeast Asia will also hinge on a modus vivendi between Communist Indochina and non-Communist ASEAN. The two sides will have to talk sometime. Why not now before another dry season offensive on the Thai border?

— From the Financial Times (London).

Feb. 17: From Our Pages of 75 and 50 Years Ago

1907: 'Boycott Museum'

CANTON, China — One of the sights in Canton at the present time is what is known as the "boycott museum." This is a museum maintained by an association of Canton merchants and others to exhibit American-made goods and showing the trademarks thereon. In other words, it is a method of educating the Chinese to recognize goods of American manufacture, so that they may boycott them. When the idea of boycotting American goods, in retaliation for the Exclusion Act enforced by the government of the United States against the Chinese, was first conceived, the main center was at Shanghai, but it quickly spread and the combative nature of the Canton population was readily aroused.

1932: Mussolini Visit

PARIS — Today's editorial in the Herald reads: "The visit of Signor Mussolini to Pope Pius XI last week was much more than a protocol formality. The Italian premier drove to St. Peter's in all the regalia of office, and the pope showed the highest deference toward his visitor, prolonging the meeting for more than one hour, instead of the 20 minutes of ordinary papal audiences. The visit was three years overdue. It was mooted when the Lateran Treaty was concluded in February, 1929, but receded into the background as difficulties arose over the application of the Concordat. Wisdom finally prevailed, and the sealing of the compromise by the visit does credit to Fascist and Vatican statesmanship alike."

Poland's Cost Is Burden for Others in Bloc

By Frank Lipius

NEW YORK — While the installation of a military government in Poland brought a sigh of relief to worried governments in East Germany and Czechoslovakia, the economic cost of suppressing the liberalization movement in Poland must be giving those allies second thoughts.

Supplies of food from East Germany and the Soviet Union accompanied the Polish tanks onto the streets of Warsaw as a sign of initial approval of the new regime. But a failure to improve the Polish economy — the inevitable consequence of trying to force the Poles back to work with bayonets — is taking an increasingly burdensome toll on Eastern European economies.

The failure of the Soviet Union to repay the Poles' renegotiated loans in Western banks signaled hard times for all of Eastern Europe, for when the Soviet financial umbrella did not open over the Polish debt, the whole of Eastern Europe got drenched. Last month the Soviet Union asked the Deutsche Bank in West Germany for a loan of \$130 million, which at the time seemed routine and acceptable but will now probably be turned down and cause a drastic diminution of Soviet creditworthiness. The rest of Eastern Europe, which has relied on the Soviet Union as the ultimate guarantor of its banks, can only shudder in the chill of financial insecurity.

Help or Suffer

In this predicament, the Eastern Europeans are not enthusiastic, or even voluntary, supporters of Poland. But by transferring subsidies from the rest of Eastern Europe to Poland, the Soviet Union is in a position to force its allies to help, or at least suffer for Poland's benefit.

Until the latest crunch, Eastern Europe, drawing upon cheap oil and other raw material supplies from the Soviet Union, had subsidized its growing trade with the West. While Eastern Europe's debt to the West had fallen to \$3.7 billion in 1980 (the last year for which statistics are available) from a high of \$6 billion in 1976 (according to figures from Wharton Economic Forecasting Associates in Washington), the bloc's debt to the Soviet Union had increased to \$23 billion (the U.S. Defense Intelligence Agency reports).

Now all that is rapidly changing. Since 1980, Poland's trade deficit with the Soviet Union has increased to a billion rubles, while the rest of Eastern Europe

has seen its trade surpluses with the Soviet Union shrink by more than half a billion rubles. With unusual candor, Czechoslovakia's Premier Lubomir Shtrougal announced in October that his country faced difficult times because the Soviet Union was cutting back its gas export commitment and because of oil price increases in the next five years.

His frankness is considered the technocrat's warning to the country's hard-liners that the economy is more important than Communist orthodoxy. Prague's settlement on Jan. 29 of British and U.S. claims arising from nationalization of property and dating from 1948 represents a renewed effort to improve relations with the West.

East Germany has also faced a dramatic increase in the price of its Soviet-supplied oil. And its grain problem is comparable to the Russians', as party leader Erich Honecker has admitted.

While all Eastern European countries have tenaciously tried to improve trade with the West, the predicament is saddest for Hungary, which has led the liberalization movement requiring reduction of centralized controls, encouragement of private enterprise, and ultimately the satisfaction of political and economic self-determination.

Hungary faces extreme cutbacks in its Western trade because it will have to decrease its deficit with the Soviet Union by exporting there what otherwise would have gone west. Hungary's application to join the International Monetary Fund in November was an early indication that Eastern Europeans were beginning to suspect that the Soviet economic umbrella might leak. Now that the dread-

ed event has occurred, the Hungarians are being drawn back into trade within the Soviet bloc.

It is ironic that the U.S. initiative to impose sanctions on Moscow because of Poland is forcing the rest of the bloc to abandon its efforts to become more integrated into the world economy. Because of its own economic predicament, the Soviet Union is tightening its economic hold over Eastern Europe.

The East bloc is being caught

in an economic squeeze that threatens to undermine its governments' desperate efforts to forge closer bonds with the West and improve the living standards of their people. While these gains cannot be measured on a political map, they represent the moderating that had been huring Eastern Europe westward.

Frank Lipius, a New York Times correspondent for the Financial Times of London, wrote this article for The New York Times.



Education: Cutting Off Aid to Spite Students

By Anthony Lewis

WILKES-BARRE, Pa. — It did not generate big headlines at first, but around the country one idea in President Reagan's budget is arousing a new kind of concern and resistance. That is the proposal to cut back drastically — in many cases to eliminate — federally insured loans and other help for college and graduate school students.

The impact of the Reagan proposal would be serious at the big universities. It would be devastating at the thousands of smaller private colleges that play such an im-

portant role in U.S. education. There is an example in the old industrial-mining area of northeast Pennsylvania that tells the story.

Wilkes College is a nondenominational school that occupies some wonderful old Victorian mansions and good modern buildings in Wilkes-Barre. It has 2,100 full-time students, who pay \$4,200 a year for tuition and \$2,100 more if they live in a dormitory. More than 1,100 of those students now have federally insured loans.

"Many of them could not come without the federal loans," said Robert S. Capin, president of the college. "They would postpone college or try to come part-time. But part-time jobs are scarce nowadays — that's another problem."

The college has balanced its budget for years, but a big drop in the student body would sharply change the picture. Capin said it would be hard to cope with "the loss of even 100 students — and that's a modest estimate of what could happen."

President Reagan's secretary of education, T.H. Bell, defended the budget proposal by saying the federal government could no longer afford "poor student aid." But no one looking at the facts at Wilkes College could believe that either the present loans or their recipients are "poor."

Wilkes was founded in 1933, as a junior college, in part to educate the families of miners. It became a regular four-year school in 1947. The students now come not only from the immediate area but from New Jersey and New York. And 75 percent of them get financial aid, through federal or Pennsylvania programs or modest amounts that the college has available for scholarships.

Last year Reagan proposed, and Congress passed, legislation to limit the federal loan program to students who really need the help. That was a wise change. The previous system, where someone from the wealthiest family could get a loan and have Washington pay the interest while he was in college, could not be justified either economically or morally.

Drastic Reductions

But this year's budget proposals are very different, removing various kinds of support from students who are not able to pay their own way. The budget would eliminate 625,000 loans for graduate students and several hundred thousand — no definite figure is available — for undergraduates. It would also make drastic reductions in other federal aid for higher education, eliminating as many as 2.4 million awards to needy students.

Many colleges and universities, small and large, are criticizing the Reagan proposals. This is one issue on which students and administrators, faculty and parents are likely to agree. The resistance

could become politically significant.

Of course there is an element of selfishness in the criticism, whether from the colleges or the families. But over the last 25 years federal student loans and other aid programs for higher education have become important to U.S. society, and there is no visible way for states or private institutions to replace them. The aid is especially important in one respect that might have been expected to appeal to the Reagan philosophy: increasing social mobility.

Escaping Poverty

Education is a crucial way for individuals to escape from a background of poverty. Federal loans now enable a young man or woman without family resources to become a lawyer, teacher. It is the modern task, in our mass society, to realize the American dream. Smashing the graduate schools seems a particularly folly in that light. And many of them would be smashed if the federal loan program were simply cut out for them as the budget suggests.

For the Reagan administration in making such proposals is peculiar in another sense. The central theme of the president's domestic policy is that the United States must become more productive, modernize its economy, compete more vigorously in the world. Is it going to do that while reducing the opportunity for education?

Watching Japan in the new high technology is not going to be done by physical investment alone. It requires development of the United States' human capital. It requires education that can cope with the sophisticated requirements not only of microchips but of human communication.

Looking at the world, there is no reason to believe that ignorance is going to make the United States thrive.

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Letters intended for publication should be addressed "Letters to the Editor," and must include the writer's address and signature. Priority is given to letters that are brief and do not request anonymity. Letters may be abridged. We are unable to acknowledge all letters, but value the views of readers who submit them.

-Letters-

Policy in Americas

In the New York Times editorial "Guatemala Amok" (HTT, Jan. 14), the final paragraph said almost all that needed to be said and yet was equally too short. To quote the final two sentences: "And it has had plenty to say about military repression in Poland. When will it also look south?"

As a young U.S. citizen who lives in Europe, that is one of the questions most frequently put to me by people trying to make some sense of U.S. foreign policy and sadly I still have yet to come up with a suitable reply. Living in Europe gives one quite a different perspective since one is able to learn much more from various newspapers which do not have the interests of the U.S. in their journalistic approach. Therefore it is encouraging to see an editorial which begins to ask a question such as that. I think a change of this order is especially needed, but also for the sake of U.S. economic interest, which should surely concern Mr. Reagan since he seems to concern himself with little else. The backlash against the U.S. will be great when things change, as I'm sure they eventually will. If we don't have a social conscience any more then surely we must stop the empty rhetoric and deal with the issues. Have there been no lessons learned from Iran or the conflict in Vietnam?

ROBERT COYLE,

Maynooth, Ireland.

Thatcher's Promise

Your Jan. 27 issue contained two noteworthy headlines: "Reagan Pledges a Much Better Economy" and "British Unemployment Passes 3-Million Mark." While these headlines might seem to have little or no connection at first glance, your readers should remember that Mrs. Thatcher promised much the same thing when she was elected, and she repeated it in various forms at short intervals over the subsequent years with phrases like "We can see light at the end of the tunnel." I am not sure that Herbert Hoover's "Prosperity is just around the corner" appeared, but it would have been appropriate.

Since Mrs. Thatcher's and Mr. Reagan's policies run pretty well parallel, your readers might well consider how many times they will hear that the economy will be "much better" next year, before the headlines read "U.S. Unemployment Reaches 12% Mark."

J.F.T. SPENCER,

London.

Social Definitions

Does anyone have a definition of democratic socialism and social democracy? Perhaps The New York Times could at least get its writers together to use the terms consistently. In two articles side by side on Jan. 26th, Paul Anastasi finds that because Papandreu has not yet done all he said he would, he "has retreated to European-style social democratic government." Richard Eder finds that French Socialists "range from moderate social democrats... to Marxist Socialists who want to transform it radically if democratically" (emphasis added). By one confusing usage is by the New Right in the U.S., following Communist usage to describe countries of Eastern Europe as Socialist rather than Communist. This could be their way to discredit socialism in American eyes.

DARRIL HUDSON,

Heidelberg.

Painful Lessons

Is it "Realpolitik" to disarm the crisis-ridden West morally as well, by defining the so-called "Sonderfeldt Doctrine" (Ronald Steel, "Poland and the Painful Lessons of Realpolitik," HTT Jan. 14)? To Germany's Eastern European victims in 1939-45 and Soviet Russia's since 1945, the dangers of appeasement are obvious.

Is it honest and sensible of Mr. Steel to criticize "Solidarity" and the Poles, having exaggerated their aims? Except for a few hotheads, the Poles did not want to "turn the Polish boat upside down." They wanted and want the implementation of the Helsinki Final Act, signed by the government of the People's Republic of Poland together with the governments of the U.S. and of the U.S.S.R.

S. GROCHOLSKI,

London.

Death of Whitney

Many of us, the old guard with worldwide experience who appreciate the International Herald Tribune, lament the death of John Hay Whitney, the chairman. Please convey our condolences in his family, and may you continue to publish in the future as you did when he was alive.

E. HENNY,

The Hague.

BUSINESS NEWS BRIEFS

China Seeks Bids for Offshore Oil Exploration

PEKING — China Tuesday invited the first bids from 46 companies, 20 of them American, to explore and develop a major portion of its potentially rich offshore oil resources.

The newly established China National Offshore Oil Corporation announced it was seeking bids for rights in blocks totaling nearly 60,000 square miles (96,000 square kilometers) including some areas considered to be among the most promising that China has. The oil companies, which have all participated in the preliminary surveys over the past three years, have until the end of March to respond.

China's timetable calls for the first contracts to be signed early next year, industry sources believe, with commercial production starting in 1985.

Japan Automakers Say Exports Decline

TOKYO — Auto exports during January by Japan's two leading car companies declined compared with a year ago, reflecting export limitations and an economic slowdown in the United States and Europe, officials said Tuesday.

Toyota officials said its January exports of all vehicles totaled 133,313 units, down 9.6 percent from January, 1981. Nissan, the No. 2 automaker, exported 113,083 vehicles, down 12.9 percent from a year ago.

Toshiba Reports 13.2% Sales Rise in Quarter

TOKYO — Toshiba sales in the third quarter of its fiscal year rose 13.2 percent from a year earlier to 406.22 billion yen, the company said Tuesday.

It said exports rose 90 percent to 150.30 billion yen as big thermal power plants were delivered to Canada and the Philippines during the period. Orders received in the quarter totaled 457.08 billion yen, down 30.8 percent from a year earlier.

Bank Says Swiss Economy Seems to Slow

ZURICH — Signs of a slowdown in the Swiss economy are growing, Credit Suisse said Tuesday in its latest economic report.

Orders are falling, in contrast to the third quarter of 1981 when industrial production rose by 2.4 percent and total employment by 0.1 percent. It noted that for the first time in two years the number of vacancies is lower than the number of unemployed. A growing number of companies are introducing short time working, but Switzerland's unemployment rate of 0.4 percent at end January is still the lowest in the world, the bank said.

Toyo Kogyo To Offer 40 Million New Shares

TOKYO — Toyo Kogyo, which makes Mazda cars and is 24.7 percent owned by Ford Motor, said it will offer 40 million new shares to the public and make a 1-for-10 bonus issue to raise its capital to 42.69 billion yen (about \$177 million).

The issue price, to be decided later, will be based on the Tokyo stock market price with payment required on April 16. The bonus issue will be made to shareholders on record April 30. The price of Toyo Kogyo shares in Tokyo closed Tuesday at 393 yen after rising nine yen in a mixed market. The company said it will be able to report a profit of about 21 billion yen for the first half year ending April 30, up from 19.56 billion a year earlier.

Sale of Chrysler Defense Arm Reportedly Set

DETROIT — United Auto Workers President Douglas A. Fraser said Tuesday Chrysler has reached a tentative agreement with General Dynamics for the sale of its profitable defense arm.

The sale has been rumored for weeks in line with the automaker's need to raise cash. Chrysler Defense, a subsidiary, produces tanks for the Army and other military implements.

Mr. Fraser, a member of the Chrysler board, said a tentative agreement has been reached subject to review by the Pentagon.

Spain Approves Nissan Takeover of Van Firm

MADRID — The Spanish Cabinet has approved an investment of 2.19 billion pesetas (\$22 million) in Spanish light van producer Motor Iberica by Nissan Motor which will give Nissan a majority holding, a Motor Iberica spokesman said Tuesday.

The investment would boost Nissan's shareholding to 55.6 from 35.85 percent.

Montedison's Plastics Unit To Cut 14% of Work Force

By Barbara Donnelly

AP-Down Jones

MILAN — Montedison's plastics subsidiary Montedisonplast said Tuesday it will dismiss 1,800 workers, or 14 percent of its employees, in line with a state plan to raise productivity and reorganize Italy's chemical industry.

Unions announced "pro forma" strikes to protest the planned cuts but "toed a much softer line than they have in the past," a company source remarked.

The cuts mainly involve production of base plastics such as low density polyethylene and, according to an official release, are needed to "rationalize the production structure and improve productivity." But the action also reflects the mounting financial pressures that are forcing the chemical giant to abandon units operating at a loss.

Some of the slack in base petrochemical and plastics output will be taken up by the Enco joint venture between the state energy group Ente Nazionale Idrocarburi and Occidental Petroleum of the United States, which can afford to do so because of its access to cheaper feedstock.

But the government has publicly

admitted that its plan for chemical and plastic sector, still in the incubation stage after a year of discussion, will not be able to save the jobs of an estimated 14,000 excess workers in the industry by 1983. State Industry Minister Gianni de Michelis has defended the program saying that if it succeeds, it would generate more than that number of new jobs in the future.

"Plastics have been hard hit by recession on major markets and European overproduction," commented a Montedison source. "Our plants are running at 30 to 40 percent of capacity but our work force strangely enough has remained intact."

Just a year ago, Montedison agreed to forego dismissals planned for 20 percent of its total work force in return for two years of state-subsidized layoffs and a promise from the government to buy some of its unwanted plants. The company recently lifted an additional 450 workers at its Priolo petrochemical plant for an indefinite period.

Tuesday's action comes as the Italian labor movement is trying to adjust to falling productivity and hostile world economic climate, which have pushed most of Italy's heavy industry to the edge of collapse.

"More and more, the workers are realizing that the only job security is the company's survival," commented one labor expert. Financial pressure on Montedison has increased dramatically in the past year, forcing the company to find ways to cut operating costs. Montedison's overriding weakness is its 90-percent dependence on imported oil-based feedstock, which has made it particularly vulnerable to the dollar's sharp rise over the past year.

Losses for the first half of 1981 amounted to 281 billion lire (\$220 million), 50-billion higher than the red ink for all of 1980. The second half of the year "certainly wasn't any better," despite nearly 15-percent expansion of 1981 group sales to 8.4 trillion lire, a company source remarked.

Japan Steel Output Rises

TOKYO — Japanese crude steel production rose 3.2 percent in January to 8.79 million metric tons from an upward-revised 8.52 million in December, and was up 5.6 percent from 8.32 million tons produced a year earlier, the Japan Iron and Steel Federation said Tuesday.

Japanese See Little in EEC Trade Threat

Tokyo More Worried About Capital Outflow

Reuters

TOKYO — Japan said Tuesday it would respond to any EEC complaint about its trading practices by taking issue with the EEC's own import restrictions.

The 10-nation EEC has proposed lodging a formal trade complaint against Japan under rules of the General Agreement on Tariffs and Trade in a bid to open Japanese markets to European goods.

Meanwhile, it was reported that Finance Minister Michio Watanabe told a Cabinet meeting that government is concerned about the recent outflow of Japanese capital attracted by the strong dollar.

Government sources said Mr. Watanabe mentioned growing Japanese investment in U.S. securities and "zero-coupon" Eurobonds.

Japanese life insurance sources said Tuesday they have been unofficially asked by the Finance Ministry to withhold investment in overseas securities.

At a press conference Tuesday the director-general of the Economic Planning Agency, Toshio Komoto, said Japan and West European countries should urge the United States to change its current monetary policy. He said it was high U.S. interest rates which had brought about the heavy depreciation of the yen.

Retaliation Promised

On the issue of European trade, officials at the Ministry of International Trade and Industry said if the EEC succeeds in taking proceedings against Japan through GATT then Tokyo would retaliate.

One official described the EEC Commission's proposal as unwise and irrational. "Naturally, we have quite a lot to say on EEC restrictions," he said.

Ministry officials said there is still a question over the basis of any EEC complaint under GATT rules. They said while Japan maintains 27 import restrictions, the EEC has 83, of which 23 are aimed solely at Japanese goods.

Trade Minister Shintaro Abe told a press conference he doubted that all 10 members of the EEC would approve the Commission proposal. He was unsure whether France and Italy, which both maintain strict limits on Japanese car imports, would approve the plan.

In a separate development, the EPA said in a monthly report the economy remains on a recovery course, but its pace of improvement is still slow, with exports measured by volume declining.

The export volume on a customs-cleared basis fell 6.2 percent in the last quarter of calendar 1981 from the preceding quarter, after a 3.4 percent quarter-on-quarter rise in the third quarter.

This decrease in the growth in export volume was a reflection largely of a decline in exports of ships, with vehicle and textile sales flattening, although tape recording machine exports, including video recorders, rose sharply.

The agency said mining and industrial production rose 2.7 percent in the October-December period compared with the previous quarter, while plant and equipment investment by large corporations remained firm.

U.S. Economist Says Deflation Is Possible

United Press International

WASHINGTON — Economist Michael Evans believes that if the current recession gets "out of hand" and turns into a depression, it will be caused by prices that are too low.

Mr. Evans, who heads a Washington-based economic forecasting firm, said in an interview that political leaders are foolish if they "believe society will reward them if they drive inflation to zero by a process of continuing recession and wholesale bankruptcy."

The economist, who says his firm makes a point of being the first to jump to conclusions, added, "If the current recession does get out of hand and plunges the economy into the maelstrom, it will be because prices were too low, not too high."

Although rampant deflation "is extremely unlikely" it is nevertheless a possibility, he said. Asked if deflation is a realistic possibility any time soon, he said, "It sure could be." All that is necessary, he said, is to "continue to have rising interest rates and recession the rest of the year."

Some signs of deflation already appear in the government price reports. The Producer Price Index, the Labor Department's broad measure of price changes at the wholesale level, showed late last week that automobile prices went down 0.4 percent in January. Prices of finished energy goods, including natural gas and gasoline ready for delivery, went down 0.9 percent.

The Fed's tight money policy and continuing recession could be "so much successful medicine that it kills the patient," he said. One reason would be the debt structure that has embraced inflation for the past few years. "Long term debt at 15 percent would be virtual suicide for many companies if inflation were to disappear," he said.

Referring to the Depression, Mr. Evans warned, "The last time this lesson was tried it resulted in an unprecedented upheaval of American politics. If that is what the Republicans want — another 30 years of purgatory... they are advised to encourage the current policy of strangling the economy to death through tight money, high interest rates and uncontrollable volatility in financial markets."

U.S. Studies Show New Tax Law Provides Subsidies to Major Industries

By Thomas B. Edsall and Hobart Rowen

WASHINGTON — Three major industries — automobiles, transportation and mining — will pay no tax on income from new investments this year and will receive what amounts to a tax subsidy to use against income from past investments under the 1981 bill, according to studies by the Treasury Department and the Council of Economic Advisers.

The studies, contained in the Economic Report of the President, appear to at least partially confirm two major criticisms of the 1981 tax bill: that it went beyond eliminating the corporate tax on new investments and created negative tax rates on new investments, and that it increased the distortion of tax rates between major industries.

Although the corporate rate is actually 46 percent, it can be reduced to below zero — a negative tax rate — when the credits and depreciation write-offs from investment in plant more than equal the taxes on the income produced by the investment. In fact, the effective rate has been about 25 to 30 percent. But the 10-percent investment tax credit combined with the highly accelerated depreciation write-offs contained in the legislation, not only reduces the rate on income from these investments to zero, but company will receive what amounts to a tax subsidy.

According to the studies: • The tax bill last year gave corporations a negative tax rate on income from construction machinery, industrial equipment and vehicles ranging from minus 14 to minus 18 percent. By 1986, the negative tax rate on construction machinery will fall to minus 82 percent.

• The tax bill actually increases the distortion of tax rates on income from major capital investments. In 1979, the rates ranged from plus 34 percent on machinery to plus 56 percent on industrial buildings. In 1986, the rate on machinery will be minus 82 percent, while on buildings it will be plus 37 percent.

Economists contend these kinds of differences distort investment patterns and reduce productivity, a claim the economic report partially backs when it states: "These differential rates of taxation at the industry level will probably lead to relatively more investment in industries with lower tax rates."

If the rate of taxation varies significantly from industry to industry, the after-tax rate of return will become a major factor in the decision-making of investors, instead of basing judgments on estimates of an industry's potential growth. Citing old law, which is less distorted than the 1981 bill, the Joint Committee on Taxation said the different rates of taxation are "contributing to an inefficient mix of investment" that is preventing the potential improvement in productivity from "being fully realized."

Here's how it would work. AB Inc. is deciding whether to buy new equipment. To be economically worthwhile, it will have to produce a net after-tax rate of return of 4 percent after calculating for inflation, or \$4 from a \$100 investment, the rate most commonly used in all the studies.

Under old law, with a positive tax rate of 34 percent on income from construction machinery, AB would have to be confident of a before-tax rate of return of 6.1 percent, or \$6.10 on each \$100 dollars invested, to pay the taxes owed on the profits and make the desired after-tax \$4.

With the new tax breaks, however, the same firm had a negative tax rate of 15 percent in 1981, a rate that will drop to minus 82 percent in 1986. To make the \$4 after-tax profit, the firm would only have to make \$3.40 before taxes last year and only \$2.20 in 1986.

Rally Nips Sharp Fall-Off on NYSE

From Agency Dispatches

NEW YORK — Stock prices in New York rallied in the last two hours of trading but still finished lower on the day as investors remained concerned about the interest rate outlook.

After being down 13 points in the first hour of trading, the Dow Jones industrial average rebounded and closed off 2.47 points at 831.34. Declines led advances by two to one as volume widened to 49 million shares from 37.7 million last Friday. The market was closed Monday for the President's Day celebration.

Analysts attributed the rally to short-covering and noted that selling abated after the market sold off sharply in the first hour of trading.

Prices were lower in moderate trading of American Stock Exchange issues.

Analysts noted the Dow Jones industrial average traded in the area of its 1981 low of \$24.01 most of the day and expected some investors to replace borrowed shares they sold earlier in hopes of a price decline.

Selling was heavy at the outset following the Federal Reserve's report late Friday the nation's money supply soared an unexpected \$2.3 billion.

That surge raised fears the Fed, which has been under attack from the Reagan administration for erratic money supply movements, may be forced to tighten credit and boost interest charges toward record levels attained in the 1980 recession.

There was speculation the prime lending rate, which climbed to a record 21 1/2 percent during the 1980 recession, would rise from its present 16 1/2 percent level. UMB Bank & Trust, a small New York bank, boosted its prime a half point to 17 percent. And two major banks, Continental Illinois and Manufacturers Hanover, raised their broker loan rates to 16 1/2 percent and 17 percent respectively from 16 percent.

In other corporate news, Whitaker Corp. said it will not terminate its offer for Brunswick until a court rules on the legality of Brunswick's agreement to sell its medical group to American Home Products.

AHP and the Brunswick Tuesday announced commencement of AHP's \$425-million tender offer for up to 14.2 million shares of Brunswick's common stock at \$30 per share.

An agreement for AHP to exchange the common shares acquired in the tender offer for Brunswick's Sherwood Medical Industries was executed last week.

Brunswick Corp., meanwhile, said its directors and officers will tender to AHP all of their shares, comprising about 1.5 percent of the company's 20.5 million shares outstanding.

In currency trading, the dollar closed in London little changed in quiet trading. The dollar ended at 2.3955 Deutsche marks, up from an opening 2.3942 and Monday's 2.3937 marks.

In New York, profit-taking weakened the dollar from its former opening levels but it remained slightly higher on the day against most currencies, dealers said.

In early afternoon it was quoted at 2.3910 DM against an opening 2.4010 DM and the previous closing 2.3800. Sterling was at \$1.8345 against \$1.8265 at the opening.

AT&T Seeking To Restructure Overseas Rate

Reuters

NEW YORK — American Telephone & Telegraph said Tuesday it filed with the Federal Communications Commission to restructure rates for overseas telephone service in a move that would reduce customer-dialed charges on those calls by an average of about 4.5 percent.

AT&T said the plan would have no effect on Bell System earnings. It would reduce the initial period on customer-dialed overseas calls to one minute from the present three minutes.

It also would standardize discount rate periods and would set up nine overseas rate regions.

According to the Congressional Budget Office, corporate taxes will drop by a total of \$127 billion through 1986, and the share of federal revenues produced from the tax will drop from 10 percent last year to 7.8 percent in 1986.

In discussing possible tax-induced shifts in investment patterns, the studies compared the tax rates on new investments under the old and new laws for these major industries:

Agriculture went from an effective tax rate of 32.7 to 16.6 percent in 1982, mining from 28.4 percent to minus 3.4, primary metals from 34 to 7.5 percent, machinery and instruments from 38.2 to 18.6, motor vehicles from 25.8 to minus 11.3 percent, food from 44.1 to 20.8 percent, chemicals from 28.8 to 8.6 percent, petroleum refining from 35 to 1.1 percent, transportation from 31 to minus 2.9 percent, utilities from 43.2 to 30.6 percent, communications from 39.8 to 14.1 percent, and services and trade from 33.2 to 37.1 percent.

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Crédit Commercial de France has been nationalized and I am forced to leave.

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I have always opposed nationalization and shall certainly continue to do so. It is my absolute conviction that free enterprise is the best system, and its preservation essential to the safeguard of individual freedom and human rights.

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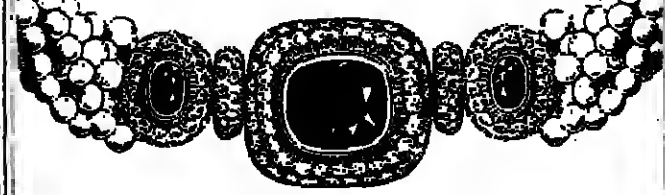
For their sake, for the good of my country, may I ask all those in contact with CCF and its subsidiaries worldwide, to grant them their full confidence.

JM Lévêque

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W. Germans See Downturn In Investment

From Agency Dispatches
PONN — West German companies will invest less this year than in 1981 despite the offer of investment incentives under the government's job creation program, Franz Schoser, executive secretary for industry and trade association, said Tuesday.

He told a press conference that an association survey of 14,000 firms showed they were cutting investment because of lower profits and a poor outlook.

The government is offering a 10-percent investment grant to firms that invest this year in new plant or buildings, provided they spend more than their average investment in the past three years.

Mr. Schoser said many firms had invested heavily in 1979, 1980 and first half 1981, so they would have to increase investment considerably to exceed their average of the last three years.

He said he was skeptical about a government forecast that its scheme, announced on Feb. 3, would boost investment by 40 billion Deutsche marks.

"Investment incentives work only if medium-term sales prospects are good, and this is not the case at present," he said.

Mr. Schoser said most companies taking part in the survey expected strong exports to carry the economy through the current "lean times." West German industry had made great efforts to maintain its international position but risks had risen "enormously," he said.

Domestically, Mr. Schoser said, the survey showed the order inflow was declining with consumption weakening. Due to unfavorable corporate earnings prospects, companies are likely to reduce capital spending this year from 1981.

The group also reported that West German firms are opposed to a bill to bring the country's accounting procedures into line with an EEC directive.

The report said small firms are particularly bitter about the bill, saying it involves legal reforms they find difficult to implement and involves high costs.

The draft accounting bill, approved by the Cabinet last Wednesday, is disputed because it extends beyond the EEC directive to include partnership and one-man firms, the group added.

The bill's most important proposal is that the GmbH private limited companies, will be required to publish annual reports from the beginning of 1984.

Such companies will have to be audited by independent auditors from 1985 provided they have at least two out of three specific features. The bill lists these features as a balance sheet total of more than 2.85 million Deutsche marks, annual sales of over 5.7 million DM and more than 50 employees.

Devout U.S. Free-Trader Changes Allegiance

By Jane Seaberry
 Washington Post Service
WASHINGTON — Last year, devout free-trader Sen. John C. Danforth preached that government should stay out of the business of protecting U.S. industry against foreign competition.

"The business of America is business," the Missouri Republican said.

Now after a year in the pulpit as chairman of the Senate Finance International Trade Subcommittee, Sen. Danforth's sermons contain fire and brimstone against Japanese traders and warnings that Congress may unleash its wrath on Japan in the form of reciprocity legislation if it does not effectively open its markets to foreign goods.

Sen. Danforth now is the leader of the reciprocity movement, a new religion on Capitol Hill gaining converts every day. The movement's message: Do unto other countries in trade what they do to the United States.

Sen. Danforth said, "Right now my view is this country has got to rebuild its economic strength in the years immediately ahead," and that could not be accomplished if foreign countries shut out U.S. goods.

He denied that his metamorphosis was based on the fact that the faltering auto industry is important to his state and that he is up for reelection in the fall.

"This isn't a sport of activity that will decline because of the re-election," said Sen.

Senator Is Converted To Reciprocal Trading

Danforth, who so far has no serious opposition.

His "maturation" is the result of growing in his job as trade subcommittee chairman, he said.

"Before all we did was complain," Sen. Danforth said. "We traipse over to Japan, and we bellyache. If we complain loud enough and whine and plead and threaten... perhaps the Japanese will change. That has limited effectiveness, and it's demeaning."

"The notion of reciprocity and trying to put together a bill is an idea that has evolved in the last few months as it has become clear rhetoric is not effective and creates ill will."

However, he added, "It's possible to create a really protectionist bill in the name of reciprocity, and we have to watch that very carefully."

Reciprocity in trade is expected by some administration trade officials to be the hottest topic on Capitol Hill after the budget is considered. Sen. Danforth has tentatively set hearings on reciprocity legislation for March 25.

Administration officials have endorsed the general concept, particularly toward Japan, which is projected to have a \$20 billion trade

surplus with the United States this year. And increased protectionist sentiment on Capitol Hill, particularly in light of increasing unemployment in import-sensitive industries, will assure easy passage of some type of legislation, Sen. Danforth said.

He first floated the idea of reciprocity during hearings last December on Japanese automobile imports. Congress' fervor was fueled by the deepening troubles facing the U.S. auto industry and the trade deficit with Japan.

The proposed legislation would in some cases allow the president to prevent foreign firms from selling or investing here if their markets are not open to U.S. companies. It would allow the president to act against countries that have a lack of "substantially equivalent commercial opportunities" for U.S. firms.

Sen. Danforth introduced his own bipartisan-sponsored legislation last week that would "establish reciprocal market access as a principle of U.S. trade policy," he said. It would require the administration to identify barriers to U.S. exports and submit to Congress trade barriers of other countries and their impact on U.S. exports.

"Reciprocity does not mean exports must equal imports," Sen. Danforth said. "It means all sides to a trade relationship have a fair opportunity to market what they produce."

Iranians Cut Another \$1 Off Oil Price

From Agency Dispatches
LONDON — The National Iranian Oil Co. has cut the price of its oil by \$1 a barrel for the third time this year, oil industry sources reported.

The sources said the state-run company announced on Monday it was reducing to \$32.20 a barrel the price of Iranian light crude and \$30.30 a barrel for the main heavy crude. OPEC's official benchmark price for Saudi light crude is \$34.

The new price makes Iranian oil the cheapest in the Middle East. On the spot market in Rotterdam, meanwhile, Saudi light crude traded Tuesday at \$30.50 a barrel, dealers said.

Crude oil market activity was limited to short-covering and exchanges, with most crudes trading below official price levels, traders said. They noted that North Sea crudes were trading as low as \$30.50 a barrel, almost \$5 below contract level.

Spot market transactions represent a small fraction of oil trading as a whole but are taken as an indication of the price trend.

In Abu Dhabi, OPEC President Mansour bin Zayed Al-Nahyan was quoted Tuesday as saying OPEC members should cut oil output in an attempt to wipe out the world oil glut.

But in a newspaper interview, he ruled out an official cut in OPEC prices.

Sheikh al-Otaibi, who is also the United Arab Emirates oil minister, said he was in constant touch with his other OPEC counterparts on a possible special conference before the group's next scheduled meeting in Quito, Ecuador, on May 20.

In Caracas, Energy and Mines Minister Humberto Calderon Berti ruled out an extraordinary OPEC meeting before next May.

COMPANY REPORTS

Revenue, Profits in Millions, in local currencies unless otherwise indicated

Australia							
				Year		1981	1980
				Revenue.....		3,810.	3,150.
				Profits.....		147.20	116.67
				Per Share.....		4.45	3.56
<hr/>							
Comalco							
Year		1981	1980				
Revenue.....		71,152	70,984				
Profits.....		28.43	75.19				
Per Share.....		0.086	0.182				
<hr/>							
Canado				Dresser Industries			
				1st Quar.		1981	1980
				Revenue.....		1,140.	1,000.
				Profits.....		76.9	61.7
				Per Share.....		0.96	0.79
<hr/>							
Genstar				Eastman Kodak			
4th Quar.		1981	1980	4th Quar.		1981	1980
Revenue.....		539.9	714.9	Revenue.....		3,070.	3,110.
Profits.....		24.3	86.5	Profits.....		371.36	404.47
Per Share.....		1.02	1.76	Per Share.....		2.28	2.51
Year		1981	1980	Year		1981	1980
Revenue.....		2,150.	2,310.	Revenue.....		10,340.	9,730.
Profits.....		199.50	153.70	Profits.....		1,239.	1,154.
Per Share.....		2.92	4.77	Per Share.....		7.66	7.15
<hr/>							
Sweden				Firestone Tire & Rubber			
Svenska Handelsbanken				1st Quar.		1981	1980
Year		1981	1980	Revenue.....		880.0	1,060.
Balance Sheet ...		102,950.	82,900.	Profits.....		2.0	76.0
Profits.....		1,340.	968.	Per Share.....		0.03	1.32
Per Share.....		20.30	14.40				
<hr/>							
United States				Kroger			
Combustion Engineering				4th Quar.		1981	1980
4th Quar.		1981	1980	Revenue.....		2,760.	2,720.
Revenue.....		1,050.	991.8	Profits.....		32.59	29.60
Profits.....		54.32	42.63	Per Share.....		1.72	1.07
Per Share.....		1.64	1.30	Year		1981	1980
				Revenue.....		11,270.	10,320.
				Profits.....		128.04	94.39
				Per Share.....		4.39	3.47

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Tables include the nationwide prices up to the closing on Wall Street.

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c425	0.10 a	6.00	14.50 a
c450	0.10 a	4.00	—
c475	0.10 a	2.00 a	—
p350	—	6.00	8.00
p375	3.00	14.00	23.00
p400	25.00	26.00	30.00
p425	47.00	50.00	52.00

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Africa, other (air).....	\$	330.00	165.00	92.00	India (air).....	\$	340.00	170.00	99.00	Polynesia, French (air).....	\$	240.00	120.00	69.00
Algeria (air).....	\$	230.00	115.00	63.00	Iran (air).....	\$	240.00	120.00	69.00	Portugal (air).....	\$	2,200.00	1,100.00	1,980.00
Austria.....	\$	2,700.00	1,350.00	736.00	Ireland (air).....	\$	230.00	115.00	63.00	Romania (air).....	\$	230.00	115.00	63.00
Belgium.....	B.F.	5,400.00	2,700.00	1,500.00	Israel.....	£s.	72.00	36.00	19.00	Saudi Arabia (air).....	\$	240.00	120.00	69.00
Belgium (air).....	\$	230.00	115.00	63.00	Israel (air).....	\$	240.00	120.00	69.00	South America (air).....	\$	330.00	165.00	92.00
Bombay (air).....	\$	330.00	165.00	92.00	Italy.....	Lire	144,000.00	72,000.00	39,600.00	Spain.....	Ps.	12,600.00	6,300.00	3,520.00
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Egypt (air).....	\$	240.00	120.00	69.00	Luxembourg.....	L.F.	5,400.00	2,700.00	1,500.00	Turkey (air).....	\$	230.00	115.00	63.00
El Salvador (air).....	\$	330.00	165.00	92.00	Malaysia (air).....	\$	240.00	120.00	69.00	U.A.E. (air).....	\$	330.00	165.00	92.00
Finland (air).....	F.M.	810.00	405.00	225.00	Malta (air).....	\$	230.00	115.00	63.00	U.S.S.R. (air).....	\$	230.00	115.00	63.00
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Germany.....	D.M.	3,600.00	1,800.00	1,000.00	Morocco (air).....	\$	230.00	115.00	63.00	Yugoslavia (air).....	\$	230.00	115.00	63.00
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